

## Legal Compliance and Financial Management

To ensure legal compliance and financial management for the various restricted revenues and program expenditures, the City's accounting and budget structure is segregated into various funds. This approach is unique to the government sector. Fund accounting segregates functions and activities into separate self-balancing funds that are created and maintained for specific purposes; for example, Special Revenue Funds are used to account for the expenditure of restricted revenues, while Enterprise Funds account for self-sustaining "business" related activities for which a fee is charged to cover all costs associated with that business. The General Fund is the City's chief operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

A detailed overview of the City's budgeted revenues, expenditures, and fund balance by fund is presented in this section.

## Fund Accounting - Fund Types

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The **General Fund** is the primary operating fund of the City. It exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, parks and recreation, planning and economic development, general administration of the City, and any other activity for which a special fund has not been created.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City maintains the following seven Special Revenue Funds: Highway User Revenue, Transportation Privilege Tax (.20%), 1995 Preservation Privilege Tax (.20%), 2004 Preservation Privilege Tax (.15%), Public Safety Privilege Tax (.10%), Special Programs, and Grants.

**Debt Service Funds** are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest that are not serviced by the General, Special Revenue, and Enterprise Funds. It does not include contractual obligations accounted for in the individual funds.

**Enterprise Funds** are used to account for operations, including debt service, that are financed and operated similarly to private businesses - where the intent is the service is self-sufficient, with all costs supported predominantly by user charges. The City maintains three Enterprise Funds to account for Water & Sewer, Solid Waste, and Aviation activities.

**Internal Service Funds** are used to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City. The City maintains two Internal Service Funds to account for Fleet and Self-Insurance activities.

**Trust Funds** are used to administer resources received and held by the City as the trustee or agent for others. Use of these funds facilitates the discharge of responsibility placed upon the City by virtue of law or other similar authority.

**Capital Improvement Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City maintains several Capital Project funds to ensure legal compliance and financial management for various restricted revenues. Examples of restricted revenue funds are:

- **Bond Funds** – are used to account for bond proceeds to be used only for approved bond projects.
- **Transportation Privilege Tax Capital Fund** – are used to account solely for transportation projects.
- **Grant Capital Funds** – are used to account for the proceeds of capital grants.
- **Enterprise Capital Funds** – are used to account for utility rates and development fees for specific projects.
- **Unrestricted General Capital Fund** – are used to account for transfers-in from the General Fund and for any other activity for which a special capital fund has not been created.

The following pages summarize  
Scottsdale's Program Budget  
Revenues, Expenditures and  
Individual Fund Balance/  
Reserves by Fund.

See glossary for Expenditure  
Type definitions.

## General Fund

### *General Fund*

#### Fund Purpose

The General Fund exists to account for the activity associated with traditional local government services such as police, fire, parks and recreation, planning and economic development and general City administration. Under Arizona State law, each city and town must maintain a General Fund and a Highway User Revenue Fund (see Special Revenue Fund section). The General Fund is the largest fund and typically the fund of most interest and significance to citizens.

#### General Fund Revenues and Transfers-In

General Fund resources include both revenues and transfers-in from other fund types such as the Special Revenue, Enterprise and Internal Service Funds. Estimated total revenues and transfers-in for FY 2004/05 increased approximately \$8.7 million (4.2%) from the FY 2003/04 year-end estimate. The increase from the prior year-end estimate is attributable primarily to increases in transaction privilege (sales) taxes \$1.9 million (2.2%), the primary property tax revenue \$1.1 million (6.4%), court fines and forfeitures \$0.5 million (16.0%), Tourism Sports Authority and County Sports Authority revenue \$1.3 million (100.0%) and special revenue transfer-in from the 2004 public safety sales tax fund of approximately \$4.2 million (100.0%) from the May 18th vote to increase the sales tax rate. Also, the state-shared revenues are projected to remain flat with the current year-end estimate, which represents the reversal of a multi-year declining trend in a major funding source. Growth in other revenues such as licenses, permits, fines and fees are expected to be much lower than in recent years and slow revenue growth is anticipated for Arizona and Scottsdale in the future. The development and permit fees are projected to decline \$2.3 million (13.6%) over the very strong FY 2003/04 performance. Revenue and transfers-in determine Scottsdale's capacity to provide program services to our citizens. The major resources, which fund the program operating budget, debt service and capital projects, are identified below.

#### Local Tax Revenues

Local Tax Revenues of \$117.7 million represent 54.8% of the General Fund total operating resources and are the fund's largest category of revenue source. With the exception of property taxes, these are all "elastic" revenues, meaning they vary directly with the economy – when the economy is good, they increase, as people are spending money and traveling, and during an economic downturn, the opposite is true.

Local Taxes Revenues consist of the following:

**Transaction Privilege (Sales) Tax** represents the General Fund's 1.0 percent share of the City of Scottsdale's 1.65 percent local sales tax. The remaining 0.65 percent of the local sales tax is a dedicated .20 percent to the Transportation Privilege Tax Fund, .20 percent to the 1995 Preservation Privilege Tax Fund, .15 percent to the 2004 Preservation Privilege Tax Fund and .10 percent to the Public Safety Privilege Tax Fund (all are Special Revenue Funds). This revenue also includes sales tax application and penalty fees. This revenue is the General Fund's single largest revenue source and the General Fund portion of the tax is used to pay for general governmental operations and the repayment of excise debt. For FY 2004/05 the adopted revenue budget is \$84.8 million, which is nearly a \$1.9 million, or 2.2% increase over the FY 2003/04 year-end estimate of \$83.0 million. The increase in the general sales tax represents the early stages of a national, state, and local economic

#### Transaction Privilege (Sales) Tax Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$84.8	\$84.8*
2003/04	\$77.4	\$83.0*
2002/03	\$84.0	\$79.7
2001/02	\$79.1	\$80.3

recovery. However, this slight increase in the sales tax revenues is nowhere near the City's mid to late 1990's experience, when it saw nine consecutive years double-digit growth in sales tax revenue. The tentative nature of the national, state and local economies, slow job growth, and the on-going threat of terrorism make it difficult to predict with certainty if the projected improvement is the start of a sustainable, long-term economic recovery or a short-lived surge.

**Primary Property Tax** represents the General Fund's portion of the Primary Property Tax which is levied on the assessed value of all property within the City to help pay for City general governmental operation costs. By Arizona State Statute, the primary property levy is limited to a 2.0 percent increase per year, plus an allowance for annexations and new construction. Another component of the primary property tax accounts for the reimbursement to the City for the cost of liability claim judgments as allowed by State Statute. This component becomes revenue to the City's Self-Insurance Fund and will be discussed more fully in the Internal Service Funds section. Primary property tax accounts for 8.2% of the total projected FY 2004/05 General Fund resources. The FY 2004/05 revenue forecast of \$17.6 million represents an increase of slightly less than \$1.1 million or 6.4% from the FY 2003/04 year-end estimate of \$16.6 million. The increase in revenue is due to an increase in assessed valuations – 6.2% average increase in existing properties and 4.6% from new construction. The primary property tax rate of \$0.45 per \$100 of assessed valuation will result in an annual levy of \$450 for the owner of a home valued at \$100,000.

**Transient Occupancy ("bed") Tax** comes from Scottsdale collecting a 3.0 percent Transient Occupancy Tax on hotel and motel room rentals in addition to the sales tax. Currently, one-third of this tax is used to pay for General Fund operations. Per City Ordinance 2045/2291 (amended), the other two-thirds is restricted for use for tourism and hospitality purposes and pays for contracts to increase tourism and debt service for destination attractions. The adopted FY 2004/05 budget includes an amendment to the ordinance and an increase of the allocation from 66.7 percent to 80.0 percent to continue supporting tourism and hospitality development purposes. The remaining 20.0 percent will be used to pay for General Fund operations. The adopted FY 2004/05 budget of \$6.7 million reflects a \$68,000 or 1.0 percent decrease from the FY 2003/04 year-end estimate of \$6.8 million. The ongoing uncertainty regarding the economic recovery and concerns over acts of terrorism are likely to continue to influence business and pleasure travel. Additionally, growing competition with more rooms available at new resorts in neighboring jurisdictions limits the likelihood of growth in this revenue in FY 2004/05 and beyond.

**Primary Property Tax**  
Adopted Budget to Actual/Estimate\*  
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$17.6	\$17.6*
2003/04	\$16.6	\$16.6*
2002/03	\$15.4	\$15.6
2001/02	\$14.3	\$13.7

**Transient Occupancy ("bed") Tax**  
Adopted Budget to Actual/Estimate\*  
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.7	\$6.7*
2003/04	\$6.6	\$6.8*
2002/03	\$7.6	\$6.7
2001/02	\$7.9	\$6.7

**Other Taxes — Franchise, In-Lieu Property Tax and Fire Insurance Premium** are budgeted at \$8.5 million in FY 2004/05 and include franchise taxes charged on revenues from utility companies and cable companies for use of City right-of-ways, an in-lieu property tax for municipal utilities, and a fire insurance premium tax, which is used to help supplement fire protection service costs. The light and power franchise is projected to increase a very nominal 2.0% or \$0.1 million. The cable TV franchise tax and Salt River Project In Lieu Tax are projected to remain at the FY 2003/04 year-end estimates, which more accurately reflect the actual revenue collection trends. The fire insurance premium revenue is projected to have the greatest percent increase at 17.8% or \$75,700. The increase is driven by increased property insurance rates, which serve as the basis for applying the tax.

Other Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$8.5	\$8.5*
2003/04	\$8.3	\$8.3*
2002/03	\$8.2	\$8.2
2001/02	\$6.5	\$8.0

### State-Shared Tax Revenues

State-Shared Tax Revenues include the state sales tax, income tax collections, and auto lieu tax, which are shared with all cities and towns throughout the state and represent \$42.4 million or 19.7% of the total General Fund resources. The formula for distribution of the sales and income tax revenue is based upon the relation of the City's population to the total state population. The State Department of Revenue collects and distributes funds and provides revenue forecasts to cities and towns for these revenue sources. The auto lieu tax is shared based on the City's population in relation to the total incorporated population of Maricopa County. Scottsdale's portion of the state-shared taxes is expected to increase in FY 2004/05 by nearly \$0.5 million or 1.1% from the FY 2003/04 year-end estimate of \$41.9 million. The slow emerging economic recovery is the main reason for the increase. The projected state-shared revenues do not factor in any reduction that may result from actions of the state legislature. Looking forward, the consensus for the economic growth statewide and the region is slow. Our conservative budget estimates for state-shared revenues project slow to no growth for these revenue sources. State-Shared Revenues consist of the following:

**State Sales Tax** for FY 2004/05 is expected to be \$16.5 million, which represents an extremely modest increase of \$0.3 million or 2.0% from the FY 2003/04 year-end estimate. Cities and towns share in a portion of the 5.0% sales tax collected by the State – the State retains 50.0%, schools are designated to receive 40.0%, and the remaining 10.0% is allocated to cities and towns based on percentage of population. The FY 2004/05 forecast and beyond is conservative. Future budget years assume an annual increase of approximately 2.0% over the five-year forecast period. The exception is FY 2006/07, which reflects a decrease resulting from the mid-decade Special Census of the Phoenix metro area that will likely have an adverse impact on the City's share, as faster growth cities and towns within the region receive an increased proportion of the overall pool of state-shared revenues.

State Sales Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.5	\$16.5*
2003/04	\$15.4	\$16.2*
2002/03	\$15.8	\$15.9
2001/02	\$16.7	\$15.6

**State Income Tax** budget of \$18.0 million for FY 2004/05 is projected to remain flat with the current year-end estimate. The state-shared income revenue projection is based on conservative estimates, and the expectation any income increases realized by citizens in FY 2004/05 from the emerging economic recovery would not be realized immediately by the City. This is due to the two-year lag between the time citizens earn and report results to the State and then the State submits the actual revenues to cities and towns. Cities and towns in Arizona are prohibited from levying an income tax; however, they are entitled to 15.0 percent of state income tax collections from two years previous. For example, the revenue distribution for FY 2004/05 will come from the income tax paid in 2002, on income earned in calendar year 2001. Like the State Sales Tax, the FY 2004/05 forecast and beyond is conservative. Future budget years assume an annual increase of approximately 1.0% over the five-year forecast period. The exception is FY 2006/07, which again reflects a decrease resulting from the mid-decade Special Census of the Phoenix metro area that will likely have an adverse impact on the City's share, as faster growth cities and towns within the region receive an increased proportion of the overall pool of state-shared revenues.

State Income Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$18.0	\$18.0*
2003/04	\$18.0	\$18.0*
2002/03	\$21.1	\$21.6
2001/02	\$20.8	\$21.1

**State Auto Lieu Tax** is part of the vehicle license fees collected by Maricopa County, but is actually a State revenue source. The City receives its share of the vehicle license tax collection based on its population in relation to the total incorporated population of Maricopa County. The only stipulation on the use of this revenue is that it must be spent on a public purpose. The City has designated these tax proceeds for transportation services. The budget for FY 2004/05 is projected to be \$7.8 million, which represents an increase from the FY 2003/04 year-end estimate of nearly \$0.2 million or 2.0%.

State Auto Lieu Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7.8	\$7.8*
2003/04	\$6.9	\$7.7*
2002/03	\$6.7	\$8.0
2001/02	\$6.9	\$6.7

**Licenses, Permits & Fees Revenues**

Licenses, Permits & Fees Revenues include revenue from various business licenses, all fees recovered as a part of the development process, and recreation fees. This category includes building, electrical, mechanical, and plumbing permits, as well as subdivision, zoning, and plan check fees. Recreation Fees include revenue from the various recreational programs, classes, entry fees, and WestWorld Equestrian Facility event revenue. In accordance with Scottsdale's financial policy, all fees and charges are reviewed annually.

Scottsdale's development activity is slowing as our community is changing from growth oriented to a maturing community focused more on sustaining its high quality of life. New commercial and residential construction activity is expected to continue, but at a slower pace, due to the attractiveness of Scottsdale, the low commercial vacancy rates along with historically low mortgage interest rates. Licenses, Permits & Fees Revenue consist of the following:

**Development Permits & Fees** in FY 2004/05 are expected to be approximately \$14.3 million, which is nearly a \$2.3 million or 13.6% decline from the FY 2003/04 year-end revenue estimate. Commercial construction is expected to remain steady as a result of the completion of the Pima (101) Freeway, which will spur activity in the Perimeter Center and Horseman's Park areas and the Stacked 40 project, as well as continued investment in the Scottsdale Airpark area. The focus on downtown revitalization projects such as Loloma Museum, the Waterfront, and Los Arcos will continue development activity. Additionally, there exists the possible start of large in-fill projects such as Northsight and the former PCS site.

The housing growth that continues to occur will be focused more on the custom home segment with values over \$400,000 while the construction of production homes and multi-family housing will continue to decline as less land is available for their construction. In addition, single-family remodeling and fix-up activity has been increasing at a fast pace and likely will grow more as the housing stock matures and less undeveloped raw land is available.

While the FY 2004/05 development permit revenue forecast is conservative when compared to historical trends, it factors in the complexity and changing nature of the development activity expected throughout the City. These trends are continually monitored in order to make management adjustments during each fiscal year. The FY 2004/05 budget includes no increase in the development fees charged to customers.

**Business Licenses & Fees** in FY 2004/05 are budgeted at \$1.8 million, reflecting no increase from the FY 2003/04 year-end estimate. The increase is based on historic growth trends.

Development Permit & Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$14.3	\$14.3*
2003/04	\$13.5	\$16.5*
2002/03	\$15.5	\$15.4
2001/02	\$19.0	\$15.7

Business Licenses & Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.8	\$1.8*
2003/04	\$1.8	\$1.8*
2002/03	\$1.7	\$1.8
2001/02	\$1.7	\$1.8



**Recreation Fees** are budgeted at \$2.2 million and include revenue from the various recreational programs, classes, and entry fees. In accordance with the City's adopted financial policies, recreation fees are reviewed and adjusted annually, if the increase is justified by the analysis and approved by City Council.

Recreation Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.2	\$2.2*
2003/04	\$2.2	\$2.2*
2002/03	\$2.1	\$2.2
2001/02	\$2.1	\$2.0

**WestWorld Fees** event revenue is expected to be approximately \$1.6 million. In accordance with the City's adopted financial policies, recreation fees are reviewed and adjusted annually, if the increase is justified by the analysis and approved by City Council.

WestWorld Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.6	\$1.6*
2003/04	\$1.5	\$1.6*
2002/03	\$1.3	\$1.5
2001/02	\$1.3	\$1.5

### Fines and Forfeiture Revenues

Fines and Forfeiture Revenues include court, parking, photo radar, and library fines. In the aggregate, the revenue for these items in FY 2004/05 is projected to be \$5.6 million for an increase of approximately \$0.8 million over the prior year. The detail of these revenues is noted below:

**Court Fines** are conservatively budgeted at \$3.9 million, which reflects a \$0.5 million increase from the FY 2003/04 year-end estimate. The FY 2003/04 year-end forecast includes \$0.3 million for the negative impacts from the State of Arizona's enacted shared-court collections, which retained 75% of the judicial collections each municipal court received in excess of their FY 2002/03 baseline collections during the fiscal year. The court fine collections were deposited in the State's General Fund and were to pay for the costs associated with the State's newly created collection system and enhance city and town court collections. For FY 2004/05, the State Legislature repealed the legislation. Therefore, \$0.3 million of this revenue increase is attributable to the State Legislature repealing the legislation.

Court Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.9	\$3.9*
2003/04	\$3.7	\$3.4*
2002/03	\$3.5	\$4.2
2001/02	\$3.8	\$3.4

**Parking Fines** are conservatively budgeted at slightly more than \$0.2 million for FY 2004/05, which is approximately \$87,200 more than the FY 2003/04 year-end estimate. This increase includes \$20,300 for the State of Arizona's enacted shared-court collections as noted above in Court Fines, which retained 75% of the judicial collections each municipal court received in excess of their FY 2002/03 baseline collections during the fiscal year. For FY 2004/05, the State Legislature repealed the legislation.

Parking Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.2	\$0.2*
2003/04	\$0.1	\$0.1*
2002/03	\$0.1	\$0.2
2001/02	\$0.2	\$0.1

**Photo Radar Fines** are budgeted at approximately \$1.1 million for FY 2004/05, which represents an increase of approximately \$0.2 million over the FY 2003/04 year-end estimate. This increase includes \$0.1 million, which is also attributable to the State Legislature repealing the legislation to retain 75% of the judicial collections each municipal court received in excess of their FY 2002/03 baseline collections during the fiscal year as noted in Court Fines. Additionally, the current photo radar contract was awarded during the summer of 2003 and included more red-light cameras, capable of detecting both red light running and a vehicle's speed. The cameras were installed during FY 2003/04. Having the cameras in place for the full fiscal year should contribute to an increase in revenue in FY 2004/05. However, the use of photo radar is intended as a deterrent to unsafe driving, not as a revenue producer.

Photo Radar Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	\$1.1	\$0.9*
2002/03	\$1.1	\$0.8
2001/02	\$1.5	\$0.8

The May 18, 2004 voter approved 0.10% increase in the sales tax rate will fund expanded photo radar (three new sites). No additional revenue for these additional sites was factored into the FY 2004/05 revenue estimate.

**Library Fines** are expected to remain flat with the FY 2003/04 year-end estimate of approximately \$0.4 million for FY 2004/05. In accordance with the City's adopted financial policies, the library fines are reviewed and adjusted annually, if necessary. No increase in fines is included in the FY 2004/05 budget.

Library Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.4	\$0.4*
2002/03	\$0.4	\$0.4
2001/02	\$0.4	\$0.4



**Interest Earnings**

Interest Earnings are generated on idle General Fund cash balance throughout the year. Interest revenue is expected to be approximately \$1.6 million for an increase of less than \$0.1 million over the FY 2003/04 year-end estimate of \$1.5 million. This revenue is a function of the relationship between the City's available cash balance and the interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. Interest earnings applicable to bond proceeds and the Capital Improvement Plan (CIP) accrue to the CIP budget and are not included in General Fund revenues.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.6	\$1.6*
2003/04	\$0.8	\$1.5*
2002/03	\$3.3	\$1.7
2001/02	\$6.3	\$4.0

**Property Rental Revenues**

Property Rental Revenues are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club and Princess Hotel for percent of revenue on gross sales agreements. The projected FY 2004/05 revenues of \$3.4 million represent a \$0.4 million increase in Property Rental revenue over the FY 2003/04 year-end estimate. The increase is attributable to a combination of scheduled increases in rental payments of \$0.3 million, plus the Thunderbird's \$80,000 contribution, which was waived in FY 2003/04 under the terms of the lease agreement.

Property Rental Revenues Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.4	\$3.4*
2003/04	\$3.3	\$3.0*
2002/03	\$3.4	\$2.5
2001/02	\$3.0	\$2.5

**Other Revenue**

Other Revenue is projected to increase by \$2.0 million in FY 2004/05 over the current year-end estimate. The increase is due to the City receiving its first contributions from the Tourism Sports Authority and County Sports Authority (TSA and CSA) for the repayment of the Giants professional baseball practice facility and an increase in the environmental water quality charge to help fund a portion of the “unfunded”, federally-mandated Stormwater Management program.

**Miscellaneous** revenue is projected to be \$1.2 million for FY 2004/05, which includes various miscellaneous revenues the City receives during any given year that are not attributable to one of the specific revenue categories noted above. The revenue is expected to increase \$0.1 million from the FY 2003/04 year-end estimate of \$1.1 million.

**Stormwater Quality Charge** revenue of approximately \$0.6 million in FY 2004/05 relates to a 1.0% increase to an existing environmental water quality charge to help pay a portion of the Stormwater Management program costs. These costs are driven by “unfunded” federal mandates that require the City to operate under a National Pollution Discharge Elimination System (NPDES) permit and to address the quality of stormwater runoff.

**Tourism Sports Authority and County Sports Authority (TSA and CSA)** revenue is projected to be \$1.3 million in FY 2004/05. The City’s first contributions from both the TSA and CSA will be used to pay for \$18.0 million of debt service payments associated with the Giants professional baseball practice facility. It is anticipated the debt will be issued in March of 2005 with the TSA and CSA being responsible for \$12.0 million and \$6.0 million, respectively. Annually, the TSA will pay approximately \$0.9 million and the CSA will pay over \$0.4 million for the debt service repayment.

Other Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.1	\$3.1*
2003/04	\$1.5	\$1.1*
2002/03	\$2.0	\$1.9
2001/02	\$2.0	\$1.1

**Transfers-In**

Transfers-In essentially represent the reimbursement of cost incurred for services (i.e., utility billing, payroll processing, benefits administration, etc.) provided and paid by the General Fund on behalf of the Enterprise Fund. The cost of the services provided by the General Fund is allocated annually to these user funds on a rational and equitable basis. The total transfers-in for FY 2004/05 are expected to increase by \$4.1 million over the FY 2003/04 year-end estimate. The main driver in this increase is the \$4.2 million transfer-in from the Special Revenue-Public Safety Privilege Tax Fund.

The adopted General Fund budget includes approximately \$4.2 million of appropriations for public safety initiatives, which is a result of the May 18, 2004 vote to increase the City’s privilege (sales) tax from 1.40 percent to 1.65 percent. (Public Safety .10% and Preserve .15%). The additional (.10%) public safety privilege taxes will be used to hire additional police officers with focused enforcement in the citizen noted high demand service areas: traffic, driving under the influence, computer crimes, District 1, vice enforcement, code enforcement, photo red light operations as well as a special patrol in City parks and the McDowell Sonoran Preserve. The new public safety privilege taxes will also be used for related public safety capital equipment and facilities and to hire additional firefighters.

## GENERAL FUND - EXPENDITURES

*Budget by Fund*

### General Fund Expenditures By Expenditure Type

The General Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

**Personal Services** adopted budget of \$120.8 million represents 61.1% of the FY 2004/05 General Fund Operating Budget of \$197.6 million. The adopted FY 2004/05 personal services budget increased \$6.8 million or 6.0% from the FY 2003/04 adopted budget. The adopted General Fund budget includes 65.34 new full-time equivalent (FTEs) staff positions at an estimated total cost of over \$3.0 million. The General Fund additions can be summarized as follows:

	<b>FTEs</b>	<b>Est. Cost</b>
Fire Transition (civilians)	13.50	\$0.5M
New Public Safety	44.00	\$2.1M
Other High Priority Service Areas	7.84	\$0.4M
<b>Total</b>	<b>65.34</b>	<b>\$3.0M</b>

<b>Personal Services Adopted Budget to Actual/Estimate* (in millions)</b>		
<b>Fiscal Year</b>	<b>Adopted Budget</b>	<b>Actual/Estimate*</b>
2004/05	\$120.8	\$120.8*
2003/04	\$114.0	\$114.0*
2002/03	\$106.2	\$104.4
2001/02	\$100.8	\$96.0

Further detail on the new FTEs is provided below:

The addition of 13.50 new FTEs will be needed to support the City's transition to a municipal fire department by July 1, 2005. The estimated cost of these new positions is slightly over \$0.5 million, based on staggered hiring dates during FY 2004/05.

The additions also include 44.0 new public safety FTEs funded by the public safety privilege sales tax increase approved by voters on May 18, 2004 at an estimated cost of approximately \$2.1 million. The positions will be used in FY 2004/05 to enhance public services outlined in the public safety strategic plan including increased police enforcement in traffic, driving under the influence, computer crimes, District 1, vice enforcement, code enforcement, photo red light operations, as well as a special patrol in City parks and the McDowell Sonoran Preserve. Beyond next fiscal year, the public safety privilege taxes will be used to address other public safety strategic plan items such as additional bike units, traffic patrol, and other capital needs.

The additional 7.84 new FTE's will address ongoing high priority services areas such as code enforcement, downtown, parks and recreation, economic development, and enhanced building security at an estimated cost slightly over \$0.4 million. The 2.0 code enforcement FTEs will address citizens' increased demand for code enforcement throughout the whole City. The 1.0 FTE for the recently formed Downtown Group will provide clerical and administrative support for the staff and Executive Director. The 1.84 FTEs for parks and recreation include 1.0 additional maintenance technician to continue pro-actively handling the growth in facilities square footage. The other .84 FTE in parks is for

additional part-time recreation leaders for the Tonalea after school program. The 2.0 Economic Vitality FTEs will provide increased support for job creation efforts in retail and the biomedical industry and enhance the City's economic development research capability. Finally, 1.0 FTE is for the mailroom to handle the increased security and expanded screening of the City's mail.

The personal services costs include a 2.5 percent cost of living pay adjustment equaling \$2.7 million for City personnel. The adopted budget also maintains the City's merit pay program at an estimated cost of \$1.2 million for those employees that have earned the increase through job performance and have not reached the top of their position range. Externally driven cost factors increased the City's contribution to Arizona Public Safety Retirement System for FY 2004/05 by \$0.6 million. Conversely, the City's health care cost containment initiatives started in the current year will yield over \$1.1 million of cost avoidance in the FY 2004/05 budget.

**Contractual Services** adopted budget of \$57.5 million represents 29.1% of the FY 2004/05 General Fund Operating Budget of \$197.6 million. The FY 2004/05 budget of \$57.5 million is \$3.8 million or 7.1% more than the FY 2003/04 adopted budget. The increase in Contractual Services is primarily attributable to the combination of two items. The first is a general increase in contractual services costs of approximately \$3.5 million due to inflation and nominal usage increases.

Second, the adopted budget of \$57.5 million includes \$0.3 million to fund contractual services attributed to the favorable outcome of the public safety vote on May 18. The new positions funded with the public safety sales tax will be used to enhance public services outlined in the public safety strategic plan including increased police enforcement in the following areas: traffic, driving under the influence, computer crimes, District 1, vice enforcement, code enforcement, photo red light operations, as well as a special patrol in City parks and the McDowell Sonoran Preserve. Beyond next fiscal year, the public safety privilege taxes will be used to address other public safety strategic plan items such as additional bike units, traffic patrol, and other capital needs.

**Commodities** adopted budget of \$6.1 million represents 3.1% of the FY 2004/05 General Fund Operating Budget of \$197.6 million. The budget of \$6.1 million is \$1.3 million more than the FY 2003/04 adopted budget. The increase in Commodities is primarily attributable to the combination of two items. The first is a general increase in commodities costs of approximately \$0.4 million due to inflation and nominal usage increases.

Second, the adopted Commodities budget of \$6.1 million includes \$0.8 million to fund commodities attributed to the favorable outcome of the public safety vote on May 18. The new positions funded with the public safety sales tax will be used to enhance public services outlined in the public safety strategic

See glossary for  
Expenditure Type  
definitions.

## Contractual Services Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$57.5	\$57.5*
2003/04	\$53.7	\$53.7*
2002/03	\$56.6	\$54.2
2001/02	\$56.4	\$54.8

## Commodities Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.1	\$6.1*
2003/04	\$4.8	\$4.7*
2002/03	\$5.5	\$5.5
2001/02	\$6.4	\$6.4

plan including increased police enforcement in the following areas: traffic, driving under the influence, computer crimes, District 1, vice enforcement, code enforcement, photo red light operations, as well as a special patrol in City parks and the McDowell Sonoran Preserve. Beyond next fiscal year, the public safety privilege taxes will be used to address other public safety strategic plan items such as additional bike units, traffic patrol, and other capital needs.

The Budget staff continues to review each department's proposed expenditure budget using a zero-based program budget approach. Under this approach, line item-expenditure budgets are carefully evaluated and justified, while providing for required increases that are called for in the current or pending contractual and commodities contracts.

**Capital Outlay** adopted budget of \$1.1 million represents 0.6% of the FY 2004/05 General Fund Operating Budget of \$197.6 million. The adopted FY 2004/05 Capital Outlays budget of \$1.1 million includes \$1.0 million to fund capital outlays attributed to the favorable outcome of the public safety vote on May 18. The new positions funded with the public safety sales tax will be used to enhance public services outlined in the public safety strategic plan including increased police enforcement in the following areas: traffic, driving under the influence, computer crimes, District 1, vice enforcement, code enforcement, photo red light operations, as well as a special patrol in City parks and the McDowell Sonoran Preserve. As result of the ongoing zero-based program budget approach, the capital outlays have been included in the budget on a very limited basis. Capital outlays less than \$25,000 are funded from the Program Operating Budget, while those equal to or greater than \$25,000 are funded from the City's Capital Improvement Plan.

**Debt Service** budget of \$12.1 million represents 6.1% of the FY 2004/05 General Fund Operating Budget of \$197.6 million. The FY 2004/05 budget of \$12.1 million is \$0.6 million more than the FY 2003/04 adopted budget. The General Fund debt service is comprised of \$4.5 million in Contracts Payable and \$7.6 million in Municipal Property Corporation Bonds for FY 2004/05.

**Contracts payable** of \$4.5 million represent debt related to sales tax development agreements such as the Nordstrom Garage Lease, Hotel Valley Ho, Waterfront project, Stacked 40 and the Promenade Agreement.

**Municipal Property Corporation (MPC) Bonds** are issued by the City of Scottsdale Municipal Property Corporation (MPC), a nonprofit corporation created by the City in 1967, solely for the purpose of constructing, acquiring and equipping buildings, structures, or improvements on land owned by the City. A Board of Directors appointed by the City Council governs the MPC. The debt incurred by the corporation is a City obligation

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	-	\$0.2*
2002/03	\$0.1	\$0.4
2001/02	\$2.7	\$1.3

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$12.1	\$12.1*
2003/04	\$11.5	\$9.8*
2002/03	\$13.3	\$12.7
2001/02	\$10.5	\$10.3

and the repayment of debt is financed by pledged General Fund excise taxes. The scheduled MPC debt repayment included in the FY 2004/05 budget is \$7.6 million.

**Transfers-Out** in FY 2004/05 total \$21.2 million and includes \$3.7 million to the Capital Fund to cover the cost of on-going capital maintenance. The adopted budget also includes a transfer-out of \$7.2 million to the Capital Fund, which includes \$3.0 million for current investments in capital projects, \$2.0 million for Neighborhood Revitalization south of Camelback Road, \$0.2 million for the Police Mounted Patrol Barn Replacement and \$2.0 million added to the General Fund CIP Contingency. Additionally, a transfer out of \$5.8 million is included to cover one-time Fire transition capital costs. These one-time capital costs are necessary in order to transition to a municipal Fire department in July 2005. Additionally, \$3.7 million will be transferred-out to the Highway User Revenue Fund for transportation related operating costs (subsidy), \$0.6 million to the Self-Insurance Fund, \$0.1 million to the Aviation Fund for fuel tax collected and receipted in the General Fund, and \$0.1 million to the Special Revenue Fund for the Affordable Housing program grant match and the for the preservation and maintenance of properties on Scottsdale's Historic Register.

### Revenues Over/(Under) Expenditures

The \$4.1 million excess of total expenditures and transfers out over total revenues and transfers in is solely attributable to City Council's policy decision to fund the following "one-time" capital projects from FY 2003/04 General Fund carryover funding:

- \$2.0 million for neighborhood revitalization south of Camelback Road

- \$2.0 million addition to the CIP general fund contingency

- \$0.2 million to replace the Police Mounted Patrol Unit's barn at WestWorld

The funding for these "one-time" capital projects totals \$4.2 million and will come from the City's anticipated FY 2003/04 General Fund ending unreserved fund balance. The \$4.2 million will be transferred out of the City's General fund in FY 2004/05 into the Capital Projects fund. Based on Arizona State law, the City's budget is deemed balanced as current year revenues and carryover resources from prior fiscal years are sufficient to cover the proposed total expenditures and transfers out in the coming year.

Beyond FY 2004/05 budget, the excess of total expenditures and transfers out over total revenues and transfers may be addressed through reductions in expenditures, improvements in revenue forecasts and/or a combination of these actions.

### General Fund Balance/Reserves/Operating Contingency

Fund Balance/Reserves/Operating Contingency protects the City's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities) and should only be used for nonrecurring (non-operational) expenditures, since once they are spent they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves and an operating contingency as part of the resource allocation/limit setting process. This process allows the City to "set aside savings" before it is allocated or spent as budgeted expenditures. The specific make-up of the City's fund balance, reserves and operating contingency are noted below:

**General Fund Reserve** continues the City's adopted financial policy of setting aside a reserve to protect Scottsdale in times of emergency. This is the City's "savings account," and it is important to note that most of these funds are from "carry over", and once they are spent it will be difficult, if not impossible, to rebuild the reserve. It is financially prudent to have a minimum General Fund Reserve of 10 percent of the General and Highway User Revenue Funds total annual operating costs. For FY 2004/05, the General Fund Reserve includes an additional \$2.0 million for potential settlements related to ongoing taxpayer refund audits. Based on the revenue and expenditure estimates included in the adopted budget, the ending FY 2004/05 General Fund Reserve is projected to be approximately \$24.3 million. Maintaining the General Fund Reserve is very important to the municipal credit rating agencies and in retaining the City's triple AAA bond ratings. It should be noted that the revenue sources that help build the General Fund Reserve during good economic times are considered "elastic" and; therefore, are subject to downturns during recessionary times.



**Economic Investment** is set aside by the City Council for strategic economic development investments that demonstrate clear returns to the community. The projected FY 2004/05 ending balance is slightly over \$9.0 million. The budget includes partial funding in FY 2004/05 (in conjunction with \$223,429 of bed tax contributions) for the \$304,321 initial debt service payment and investment in the Loloma Museum. During FY 2004/05, the City anticipates paying out of the Economic Investment an additional \$0.5 million toward the Mayo T-Gen loan and repayments are expected in the following fiscal year. The budget also includes \$8.0 million of the projected \$16.2 million ending FY 2003/04 General Fund unreserved balance for "one-time" Economic Investment projects in FY 2004/05.

**Operating Contingency** of \$2.5 million is included to meet unforeseen expenses during the fiscal year.

**Open Purchase Order Reserves** of \$4.4 million are anticipated and adopted (i.e., carry forward as appropriated) from FY 2003/04 that will be completed and paid after the June 30 fiscal year-end. This reserve provides a funding source for these year-end carryover budget expenditures.

**Unreserved Fund Balance** is the remainder after considering all of the other reserves/uses. The ending unreserved fund balance is projected at approximately \$2.1 million, which represents the cumulative General Fund revenues not designated for a specific purpose. This amount represents an accumulation of one-time revenues and is most appropriately used for one-time expenditures. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses. Of the projected \$16.2 million ending FY 2003/04 unreserved balance, City Council allocated and appropriated \$12.2 million towards the following "one-time" projects in FY 2004/05: \$2.0 million for Neighborhood Revitalization south of Camelback Road, \$8.0 million added to Economic Investment, \$0.2 million for Police Mounted Barn Replacement, and \$2.0 million added to the CIP General Fund contingency.

## Special Revenue Funds

### Description

The City uses seven separate Special Revenue Funds to account for the activity of restricted revenues and designated expenditure uses for FY 2004/05. The individual funds are: Highway User Revenue, Transportation Privilege Tax (.20%), 1995 Preservation Privilege Tax (.20%), 2004 Preservation Privilege Tax (.15%), Public Safety Privilege Tax (.10%), Special Programs, and Grants. The applicable specific revenues, expenditures and fund balances of the individual Special Revenue Funds, along with each fund's purpose, are described below:

### Highway User Revenue Fund

#### Fund Purpose

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and other transportation related revenues. The amount available to each City is allocated based on population, which is determined by the latest federal census. These monies must be used for street construction, reconstruction, maintenance, or transit. The State of Arizona requires the City to establish and maintain a Highway User Revenue Fund.

#### Highway User Revenue Fund Revenues and Transfers-In

**Highway User Revenue Tax ("gas tax")** is distributed by the State of Arizona based upon the population of each city and the county of origin for the sales of fuel. The State constitution requires that all highway user revenue be used solely for street, highway or transit purposes. The current gas tax is 18 cents per gallon. The cities share in 27.5 percent of State collected highway, user revenues, based half on population and half on the origin of the gas sale. The proposed FY 2004/05 budget of \$13.9 million represents an increase of \$0.4 million or 2.9% from the FY 2003/04 year-end estimate.

**Local Transportation Assistance Fund (LTAF) Revenue ("state lottery")** is distributed by the State of Arizona based upon population and City and town participation in the lottery. LTAF revenue sharing was capped at a total of \$20.5 million in 1989 by the Arizona state legislature, resulting in no growth in this segment of intergovernmental transportation revenue. The proposed FY 2004/05 budget of \$1.1 million is flat with the FY 2003/04 year-end estimate due to the restrictions noted.

**Transfers-In** from the Transportation Privilege Tax Fund and the General Fund support the Highway User Revenue Fund program expenditures. The proposed General Fund is budgeted to provide a \$3.7 million subsidy to support the programs of the Highway User Revenue Fund, which corresponds with the total resources needed to balance the budgeted operating and capital expenditures in the Highway User Revenue Fund.

#### Special Revenue Fund Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.9	\$13.9*
2003/04	\$13.5	\$13.5*
2002/03	\$13.1	\$13.4
2001/02	\$13.2	\$12.6

#### Special Revenue Fund Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	\$1.1	\$1.1*
2002/03	\$1.1	\$1.1
2001/02	\$1.2	\$1.2

### Highway User Revenue Fund Expenditures By Expenditure Type

The Highway User Revenue Fund expenditures are presented by five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service plus transfers-out to other funds as noted below:

**Personal Services** budget of \$5.0 million represents 19.8% of the FY 2004/05 Highway User Revenue Fund Operating Budget of \$25.2 million. The adopted FY 2004/05 personal services budget is flat when compared to the FY 2003/04 adopted budget. The budget includes an additional 1.0 FTE as the result of a contract worker conversion.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$5.0	\$5.0*
2003/04	\$5.0	\$5.0*
2002/03	\$5.0	\$4.9
2001/02	\$4.8	\$4.5

**Contractual Services** adopted budget of \$16.5 million represents 65.5% of the FY 2004/05 Highway User Revenue Fund Operating Budget of \$25.2 million. The FY 2004/05 budget of \$16.5 million is \$1.1 million or 7.1% more than the FY 2003/04 adopted budget. The majority of this increase is due to the increase in transit costs and a larger street maintenance program for FY 2004/05.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.5	\$16.5*
2003/04	\$15.4	\$15.4*
2002/03	\$15.8	\$16.2
2001/02	\$15.6	\$15.1

**Commodities** adopted budget of \$0.5 million represents 2.0% of the FY 2004/05 Highway User Revenue Fund Operating Budget of \$25.2 million. The FY 2004/05 budget of \$0.5 million represents no increase from FY 2003/04 commodities budget. The lack of need for an increase is due to the continuing effort by staff toward zero-based program budgeting, whereby line-item expenditure budgets are carefully evaluated and justified before being included in the budget.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.6	\$0.8
2001/02	\$0.8	\$0.8

See glossary for  
Expenditure Type  
definitions.

## SPECIAL REVENUE FUNDS

## Budget by Fund

**Capital Outlay** adopted budget for FY 2004/05 is zero. As a result of the on-going zero-based program budget approach, no capital outlay was approved for inclusion in the budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	-	-
2003/04	-	-
2002/03	-	\$0.1
2001/02	\$0.2	\$0.1

**Debt Service** adopted budget of approximately \$3.1 million is equal to the FY 2003/04 budget and represents 12.3% of the Highway User Revenue Fund Operating Budget. The debt consists of payment for the Highway User Revenue Bonds along with the applicable annual fiscal agent fees. The Highway User Revenue Bonds are slated to be fully repaid in FY 2006/07.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.1	\$3.1*
2003/04	\$3.1	\$3.1*
2002/03	\$3.1	\$3.1
2001/02	\$3.1	\$3.1

**Transfers-Out** to the capital project fund of approximately \$0.1 million is to cover the cost of replacing computer/telephone equipment.

### Highway User Revenue Fund Balance

The FY 2004/05 Highway User Revenue Fund ending balance is projected to be zero. The fund does not maintain a fund balance due to its reliance on the General and Transportation Privilege Tax Funds to make up the difference between revenue and expenditures each year.

*Transportation Privilege Tax Fund (.20%)***Fund Purpose**

In 1989, voters approved a Transportation Privilege (Sales) Tax (.20%), which is dedicated to funding transportation improvements and operations. This fund accounts for the activity related to the Transportation Privilege tax. Revenues are transferred to the Highway User Revenue Fund (up to 40.0% of the sales tax revenues) and to Capital Projects to fund transportation related improvements.

**Transportation Privilege Tax Fund (.20%) Revenues**

**Transportation Privilege (Sales) Tax (.20%)** of \$16.2 million represent 100.0% of this fund's budgeted operating revenue. After nearly a decade of double-digit revenue growth, the FY 2004/05 forecasts a modest 2.2% increase over the FY 2003/04 year-end estimate.

Please note there is a difference between the transportation and preservation privilege tax revenue amounts, which is attributable to differences in the taxing provisions for each of the revenues.

**Interest Earnings** are no longer forecast in this fund due to a change in accounting procedure. At the end of the month, a journal entry is prepared transferring all revenue collected in this fund to either the Highway User Revenue Fund (capped at 40.0%) or the Transportation Capital Improvement Fund.

**Local Privilege Taxes Revenue**  
**Adopted Budget to Actual/Estimate\***  
**(in millions)**

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.2	\$16.2*
2003/04	\$15.5	\$15.8*
2002/03	\$16.4	\$15.3
2001/02	\$17.0	\$15.6

**Interest Earnings**  
**Adopted Budget to Actual/Estimate\***  
**(in millions)**

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	-	-
2003/04	\$0.5	-
2002/03	\$0.5	\$0.2
2001/02	\$0.6	\$0.2

**Transportation Privilege Tax Fund (.20%)**  
**Expenditures By Expenditure Type**

There are no direct operating expenditures in the Transportation Privilege Tax Fund (.20%), only transfers-out to the Highway User Revenue Fund and Capital Projects Fund.

**Transfers-Out** in FY 2004/05 total \$16.2 million comprised of \$6.5 million to the Highway User Revenue Fund to cover the cost of transportation related operating costs, and \$9.7 million to the capital fund to cover the cost of transportation related capital improvements. The \$6.5 million transfer-out to the Highway User Revenue Fund represents a policy change adopted by City Council in FY 2003/04 allowing up to 40.0% of the annual Transportation Privilege (Sales) Tax (.20%) to be used to cover the cost of transportation system improvement operating costs.

**Transportation Privilege Tax Fund (.20%) Balance**

The FY 2004/05 Transportation Privilege Tax Fund (.20%) ending fund balance is projected to be zero since at year-end any remaining funds are transferred to the Capital Project Fund or Highway User Revenue Fund.

*1995 Preservation Privilege Tax Fund (.20%)***Fund Purpose**

In 1995, voters approved a 1995 Preservation Privilege (Sales) Tax (.20%), which is dedicated to the purchase of 36,400 acres of land within the McDowell Sonoran Preserve. Revenue collections and contractual debt associated with purchased land are accounted for in this fund. A transfer is made to the Debt Service Fund to pay debt service payments associated with bonds issued for purchases.

**1995 Preservation Privilege Tax Fund (.20%) Revenues**

**1995 Preservation Privilege (Sales) Tax (.20%)** of \$16.8 million represents 97.0% of this fund's operating revenue. After nearly a decade of double-digit revenue growth, the FY 2004/05 forecast a modest 2.2% increase.

Please note there is a difference between the transportation and preservation privilege revenue tax amounts, which is attributable to differences in the taxing provisions for each of the revenues.

**Interest Earnings** are expected to remain flat, with FY 2003/04 year-end estimate of \$0.5 million. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investments in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Local Privilege Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.8	\$16.8*
2003/04	\$16.1	\$16.4*
2002/03	\$16.6	\$15.6
2001/02	\$17.4	\$15.8

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.7
2001/02	-	\$0.8



## 1995 Preservation Privilege Tax Fund (.20%) Expenditures By Expenditure Type

There are no direct operating expenditures in the 1995 Preservation Privilege Tax Fund (.20%); however, there are debt service transactions and transfers-out.

**Debt Service** budget of slightly less than \$1.0 million is \$0.1 million more than the FY 2003/04 adopted budget and consists of contractual debt for the McDowell Sonoran Preserve.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.0	\$1.0*
2003/04	\$0.9	\$1.0*
2002/03	\$0.9	\$1.0
2001/02	\$0.9	\$0.9

**Transfers-Out** totaling \$20.0 million to the Debt Service Fund is to pay debt service on Preservation Bonds. The increase in the transfer-out of \$3.6 million from the FY 2003/04 adopted budget is directly attributable to the scheduled repayment of debt.

## Revenues Over/(Under) Expenditures

The excess of total expenditures and transfers out over total revenues and transfers in FY's 2004/05 through 2006/07 is the result of planned uses of beginning fund balance.

## 1995 Preservation Privilege Tax Fund (.20%) Balance

The 1995 Preservation Privilege Tax Fund (.20%) is used solely for the acquisition of property within the preserve and payment of debt service on Preserve General Obligation Bonds, Preserve Authority Bonds, and contractual debt. The projected FY 2004/05 ending fund balance equals approximately \$15.4 million, which represents a \$3.6 million decrease from the FY 2003/04 year-end estimate. The fund balance, with annual revenue contributions, is expected to be sufficient to pay for existing debt service. All debt authorized by voters for this fund has been issued.

*2004 Preservation Privilege Tax Fund (.15%)***Fund Purpose**

This new fund is a result of the May 18, 2004 voter approved ballot initiative to increase the City's sales tax rate. The increase will dedicate an additional .15% of the City's sales tax rate to completing Scottsdale's McDowell Sonoran Preservation efforts. Revenues received by this fund will be used for debt service payments related to preserve acquisition and construction of essential preserve related necessities such as proposed trailheads.

**2004 Preservation Privilege Tax Fund (.15%) Revenues**

**2004 Preservation Privilege (Sales) Tax (.15%)** is expected to equal approximately \$11.7 million. Revenue collections will begin July 1, 2004 with remittance received in August 2004; therefore, the revenue forecast for this fund is calculated based on 11 months of cash receipts.

**2004 Preservation Privilege Tax Fund (.15%) Expenditures By Expenditure Type**

There are no direct operating expenditures budgeted in the 2004 Preservation Privilege Tax Fund (.15%) for FY 2004/05. The May 18, 2004 ballot initiative to increase the City's privilege (sales) tax from 1.40 percent to 1.65 percent (Public Safety .10% and Preserve .15%) was approved; therefore, the (.15%) additional preserve sales tax revenue will be used for additional land purchases, trails, and other improvements.

**2004 Preservation Privilege Tax Fund (.15%) Balance**

The 2004 Preservation Privilege Tax Fund (.15%) will be used solely for the acquisition of and improvements to property (i.e., trailheads, trails) within the preserve and payment of debt service on Preserve General Obligation Bonds, Preserve Authority Bonds, and contractual debt. The projected FY 2004/05 ending fund balance is approximately \$11.7 million. Any revenues collected and not transferred in FY 2004/05 will remain in the 2004 Preservation Privilege Tax Fund (.15%) balance and will be used exclusively for future preservation needs.

**Local Privilege Taxes Revenue  
Adopted Budget to Actual/Estimate\*  
(in millions)**

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.7	\$11.7*
2003/04	-	-
2002/03	-	-
2001/02	-	-

- This Special Revenue fund was included in the proposed
- budget as a contingent item pending a proposed 0.15%
- privilege sales tax increase subject to ballot approval by
- Scottsdale citizens. Voters approved the proposed tax
- increase on May 18, 2004, subsequent to the adoption of the
- tentative budget. Over the coming months city staff will be
- negotiating the purchase of additional McDowell Sonoran
- Preserve land with the Arizona State Land Department.
- Land purchase expenditures and associated debt issuance
- plans will be prepared and matched against these dedicated
- special revenues in future budget publications.

*Public Safety Privilege Tax Fund (.10%)***Fund Purpose**

This new fund is a result of the May 18, 2004 voter approved ballot initiative to increase the City's sales tax rate, dedicating .10% to public safety. Revenues received by this fund will be used to enhance public services outlined in the public safety strategic plan such as traffic enforcement, driving under the influence, computer crimes, District 1, vice enforcement, photo radar enforcement and a special patrol for City parks and the McDowell Sonoran Preserve.

**Public Safety Privilege Tax Fund (.10%) Revenues**

**Public Safety Privilege (Sales) Tax (.10%)** is expected to equal approximately \$7.9 million. Revenue collections will begin July 1, 2004 with remittance received in August 2004; therefore, the revenue forecast for this fund is calculated based on 11 months of cash receipts.

**Public Safety Privilege Tax Fund (.10%) Expenditures By Expenditure Type**

There are no direct operating expenditures within the Public Safety Privilege Tax Fund (.10%); however there are transfers-out to the General Fund to cover the costs of the enhanced public safety service expenditures.

**Transfers-Out** to the General Fund is approximately \$4.2 million to cover the costs of 44.0 FTE positions, including 32.0 Police Officers, 5.0 Police Sergeants, 1.0 Police Lieutenant, 2.0 Code Inspectors, 1.0 Police Support Specialist, 1.0 Criminalist, 1.0 Court Service Representative, and 1.0 Municipal Security Technician. The funding will also cover the costs of three new intersection detection systems to increase red light and fixed speed photo enforcement. Other public safety services that will be funded from the additional public safety privilege taxes include hiring additional firefighters, code enforcement officers, and related public safety capital equipment and facilities. Beyond next fiscal year, the additional public safety privilege taxes would be used to address other public safety strategic plan items such as additional bike units, traffic patrol, and other capital needs.

**Public Safety Privilege Tax Fund (.10%) Balance**

The projected FY 2004/05 ending fund balance is \$3.7 million. Any revenues collected and not transferred in FY 2004/05 will remain in the Public Safety Privilege Tax Fund (.10%) balance and will be used exclusively for future public safety needs.

**Local Privilege Taxes Revenue  
Adopted Budget to Actual/Estimate\*  
(in millions)**

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7.9	\$7.9*
2003/04	-	-
2002/03	-	-
2001/02	-	-

- This Special Revenue fund was included in the proposed budget as a contingent item pending a proposed 0.10% privilege sales tax increase subject to ballot approval by Scottsdale citizens. Voters approved the proposed tax increase on May 18, 2004, subsequent to the adoption of the tentative budget. Only the first phase (year one) of enhanced public safety expenditures were included in the FY04/05 budget. Over the coming months city staff will be refining the multi-year public safety strategic expenditures plans and match them against these dedicated special revenues in future budget publications.

*Special Programs Fund***Fund Purpose**

This fund is used to account for dedicated funding sources and donations earmarked for specific purposes. All revenue not expended in the current fiscal year is carried over to the next fiscal year to continue funding the intended purpose.

**Special Programs Fund Revenues**

**Miscellaneous Court Revenue** originates from three sources: Court Enhancement, Judicial Collections Enhancement Fund (JCEF) and Fill the Gap (FTG). The Court Enhancement is established by Scottsdale City Ordinance 2570 section 9-7.2 and provides funding to enhance the technological, operational, and security facilities of the Court. JCEF and FTG were established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, which provide funding for maintaining and enhancing the Court's ability to collect and manage monies. The FY 2004/05 budget for Miscellaneous Court Revenue equals \$0.6 million.

**Miscellaneous Downtown Cultural/Arts Revenue** is generated from donations and contributions as well as revenue from the Scottsdale Artist School lease agreement. The FY 2004/05 budget for Miscellaneous Downtown/Cultural Revenue equals \$0.3 million. This program was previously housed in Community Services Special Program.

**Miscellaneous Police Revenue** includes money from the following five sources: (1) Racketeering Influenced Corrupt Organization (RICO) funds, which is only to be used for law enforcement purposes; (2) Forensic Services Intergovernmental Agreements (IGA) with surrounding communities for full cost recovery of crime laboratory services provided; (3) donations for the Mounted Unit and Family Advocacy Center; (4) drug conviction assessments, which may only be used for crime laboratory analysis purposes; and (5) funds for school resource education supplies. The budget for this revenue source is \$0.4 million.

**Miscellaneous Court Revenue**  
 Adopted Budget to Actual/Estimate\*  
 (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.6	\$0.6*
2003/04	\$0.6	\$0.6*
2002/03	\$0.6	\$0.6
2001/02	\$0.5	\$0.5

**Misc. Downtown Cultural/Arts Revenue**  
 Adopted Budget to Actual/Estimate\*  
 (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	-	-
2002/03	-	-
2001/02	-	-

**Miscellaneous Police Revenue**  
 Adopted Budget to Actual/Estimate\*  
 (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.3	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.4	\$0.5

**Miscellaneous Community Services Revenue** includes donations and contributions that are to be spent for the specific purpose indicated by the donors. Specific purposes include enhancing parks, libraries and human services, providing memorials, covering the expenses associated with special events, providing funds to community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park. This revenue also includes McCormick-Stillman Railroad Park revenue generated from the operations of the train and carousel owned by the Scottsdale Railroad and Mechanical Society. The budget for this revenue source is approximately \$1.4 million in FY 2004/05. Current revenues and the planned use of prior year carryover revenues will fund these services.

**Miscellaneous Human Resource Services Revenue** includes corporate sponsorship obtained through community outreach efforts in support of cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration. In FY 2004/05, it is estimated that approximately \$7,200 will be deposited into this fund.

**Miscellaneous Citizen and Neighborhood Resources Revenue** includes 50.0% of the total amount of fines collected for code enforcement violations. The fines pay for any abatement procedures necessary to clean up a property. In FY 2004/05, it is estimated the fines deposited into this fund will equal approximately \$19,700.

Miscellaneous Community Services Rev. Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.4	\$1.4*
2003/04	\$1.6	\$1.6*
2002/03	\$1.5	\$2.0
2001/02	\$2.2	\$1.5

Miscellaneous Human Resources Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7,200	\$7,200*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Miscellaneous Citizen and Neighborhood Resources Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19,700	\$19,700*
2003/04	\$68,000	\$68,000*
2002/03	-	\$903
2001/02	-	-

## SPECIAL REVENUE FUNDS

## Budget by Fund

### Miscellaneous Planning and Development Services

**Revenue** originates from the Green Building Program fees. The Green Building Program is a whole-systems approach utilizing design and building techniques to minimize environmental impact and to reduce the energy consumption of a building while contributing to the health of its occupants. The program fees are used to fund promotion, education, and public outreach to pro-actively campaign for environmentally responsible buildings in the City. The budget for this revenue source of \$20,600 is a nominal \$600 increase over the FY 2003/04 year-end estimate.

### Misc. Planning & Develop. Svs Revenue Adopted Budget to Actual/Estimate\*

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20,600	\$20,600*
2003/04	\$20,000	\$20,000*
2002/03	\$42,500	\$20,475
2001/02	\$47,500	-

**Transfers-In** from the General Fund are budgeted at \$100,000 for the Affordable Housing program in Citizen and Neighborhood Resources, which is used as a local grant match to leverage federal and state housing grant funds, and \$10,000 for the preservation and maintenance of properties on Scottsdale's Historic Register.

### Special Programs Fund Expenditures By Department

The use of funds in the Special Programs Fund includes departmental operating expenditures and transfers-out as noted below:

**Courts** budgeted expenditures in FY 2004/05 are approximately \$0.3 million, which is equivalent to the FY 2003/04 adopted budget. Expenditures will be used to enhance the technological, operational, and security facilities of the Court as well as maintain and enhance the Court's ability to collect and manage monies.

### Courts Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.1	\$0.1*
2001/02	\$0.1	\$0.1

**Downtown Cultural/Arts** budgeted expenditures in FY 2004/05 are \$0.3 million for items such as supporting the arts and special events. This program was previously housed in Community Services Special Program.

### Downtown Cultural/Arts Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	-	-
2002/03	-	-
2001/02	-	-



## SPECIAL REVENUE FUNDS

## Budget by Fund

**Police** Special Programs budgeted expenditures in FY 2004/05 total \$374,785. Racketeering Influenced Corrupt Organization (RICO) Funds of \$221,130 will be used to supplement narcotics investigations operating expenses and to purchase 50 new tasers to provide officers with a “less lethal” option on suicidal/violent subjects; funding from intergovernmental agreements in the amount of \$116,155 will be used to purchase expendable supplies in support of police crime laboratory services; and \$27,500 from donations is budgeted to purchase expendable supplies in support of the Mounted Unit, Family Advocacy Center, and school resource education. In addition, \$10,000 has been budgeted in general police donations for several areas of the department including Teen Academy supplies, canine purchases, community meetings, and school presentations.

**Community Services** expenditures are budgeted at approximately \$2.4 million for FY 2004/05. Expenditures include the design of a model railroad building at McCormick-Stillman Railroad Park to be built in FY 2005/06.

**Human Resource Services** expenditures are budgeted at approximately \$7,200 for FY 2004/05. The funds received from corporate sponsorship obtained through community outreach efforts will support cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration.

**Citizen & Neighborhood Resources** budget totals \$19,700. The funds received from code enforcement violation fines will be used to pay for any abatement procedures necessary to clean up properties.

Police Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.3	\$0.5*
2002/03	\$0.3	\$0.3
2001/02	\$0.4	\$0.2

Community Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.4	\$2.4*
2003/04	\$2.4	\$2.4*
2002/03	\$2.0	\$1.2
2001/02	\$2.2	\$1.5

Human Resources Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7,200	\$7,200*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Citizen and Neighborhood Resources Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19,700	\$19,700*
2003/04	\$68,000	\$68,000*
2002/03	-	\$903
2001/02	-	-

## SPECIAL REVENUE FUNDS

## Budget by Fund

**Planning and Development** budget of \$20,600 represents a nominal increase of \$600 or 3.0% from the FY 2003/04 adopted budget. The funds will be spent on advertising and promoting through contractual services the City's Green Building Program.

Planning and Development Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20,600	\$20,600*
2003/04	\$20,000	\$20,000*
2002/03	\$42,500	\$14,066
2001/02	\$47,500	\$10,000

**Preservation Rehabilitation** budget totals \$10,000 for FY 2004/05. A Historic Preservation Rehabilitation Fund of \$10,000 a year for life of the sales tax incentive to the Hotel Valley Ho was established and paid for by the owner of the Hotel Valley Ho. The funds are to be used by the City to assist in the preservation and maintenance of properties on Scottsdale's Historic Register.

Preserve Rehabilitation Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$10,000	\$10,000*
2003/04	-	-
2002/03	-	-
2001/02	-	-

**Transfers-Out** total \$0.6 million, which includes \$0.1 million to the Capital Improvement Fund for RICO and \$0.5 million to the Capital Improvement Fund for Court related capital projects.

### Revenues Over/(Under) Expenditures

The \$1.2 million of expenditures and transfers-out over the total revenues and transfers-in is attributable to planned uses of beginning fund balance by the Community Services Special Program.

### Special Programs Fund Balance

Special Programs Fund balance of \$1.8 million represents cash received and restricted by donors or contributors for specific uses. All balances not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose. The Special Programs Fund balance is largely a matter of timing differences between when funds are received and ultimately spent for the intended purpose.

## Grant Fund

## Fund Purpose

This fund receives and expends the City's federal, state, and local grant revenues. The amount of grants received is generally based upon application to granting agencies by the City and upon availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines and audits. The City will only expend grant funds that have been appropriately awarded by the granting agency and accepted by City Council in a public meeting.

The total proposed FY 2004/05 grant revenue budget is \$20.7 million and includes \$13.4 million for contingent grant revenue that may become available during the fiscal year. The contingent grant revenue is included to create budgetary capacity for City Council to accept new grants and still comply with State of Arizona budget expenditure limits set with the tentative budget adoption. The appropriations associated with the contingent grant revenue are not available for expenditures unless a new grant is awarded and accepted by City Council. The City aggressively seeks grant funding to leverage City funds to address priority program and service needs. The major areas of the grant revenue budget are noted below:

## Grant Fund Revenues by Grant Area

**Transportation Grants** are often available for transit purposes, such as bus purchases and shelters, and to promote alternate transportation modes, such as construction of bike lanes and paths. In FY 2004/05 there are presently no operating grant revenues budgeted. All Transportation Grants at \$10.1 million in FY 2004/05 are capital-related, which are included in the Capital Improvement Plan.

**Community Development Block Grants (CDBG) and Section 8 Grants** are awarded annually by the U.S. Department of Housing and Urban Development (HUD) upon application for funding by the City. These grant revenues may only be used for those projects specifically approved in the grant application and are subject to agency expenditure guidelines and audits. For FY 2004/05, the CDBG and Section 8 budgets are \$1.5 million and \$5.3 million respectively, for approximately \$6.8 million.

**Home Grants** are received from the Maricopa County Home Consortium and are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing. The FY 2004/05 operating grant revenue is budgeted at approximately \$0.5 million.

### Transportation Grants Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	-	-
2003/04	\$0.5	\$0.5*
2002/03	-	\$0.8
2001/02	\$2.9	\$4.0

### CDBG and Section 8 Grants Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.8	\$6.8*
2003/04	\$6.7	\$6.7*
2002/03	\$5.4	\$5.7
2001/02	\$5.1	\$5.5

### Home Grants Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.7	\$0.7*
2002/03	\$0.3	-
2001/02	\$0.3	\$0.6

## SPECIAL REVENUE FUNDS

## Budget by Fund

**Miscellaneous Federal & State Grants** total \$13.4 million for FY 2004/05, which includes grants for law enforcement, library projects, aviation, and Homeland Security. The majority of the increase is due to the increase in future grants should they become available during the fiscal year.

Miscellaneous Federal & State Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.4	\$13.4*
2003/04	\$5.1	\$5.1*
2002/03	\$4.7	\$1.3
2001/02	\$8.3	\$1.9

### Grant Fund Expenditures By Grant

Information on Grant Fund expenditures is noted below:

**Transportation Grants** in FY 2004/05 have no operating expenditures budgeted. All transportation grants at \$10.1 million in FY 2004/05 are capital-related, which are included in the Capital Improvement Plan.

Transportation Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	-	-
2003/04	\$0.5	\$0.5*
2002/03	-	\$0.8
2001/02	\$2.9	\$4.0

**Community Development Block Grants (CDBG) and Section 8 Grants** budgeted expenditures in FY 2004/05 of approximately \$6.8 million represents an increase of \$0.1 million or 1.5% from the FY 2003/04 adopted budget. The budgeted expenditures include costs for the following two new positions in FY 2004/05: (1) Grant Program Specialist to provide assistance to an increased number of low-moderate income households and decrease the length of time on the City Housing Rehabilitation waiting list, and (2) Housing Coordinator to fulfill the added responsibilities of the Scottsdale Housing Agency, implement the Section 8 program, and manage the First Time Homebuyer Program.

CDBG and Section 8 Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.8	\$6.8*
2003/04	\$6.7	\$6.7*
2002/03	\$5.4	\$5.9
2001/02	\$5.1	\$5.2

## SPECIAL REVENUE FUNDS

## Budget by Fund

**Home Grants** budgeted expenditures of \$0.5 million in FY 2004/05 are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing.

Home Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.7	\$0.7*
2002/03	\$0.3	-
2001/02	\$0.3	\$0.6

**Miscellaneous Federal & State Grants** expenditure budget in FY 2004/05 equals approximately \$13.2 million which includes a provision for future grants that may become available during the year. The funding will be used in the contractual services, commodities and capital outlay expenditure categories to provide a wide variety of law enforcement, library, aviation, Homeland Security, and social services.

Miscellaneous Federal & State Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.2	\$13.2*
2003/04	\$5.1	\$5.1*
2002/03	\$4.7	\$1.3
2001/02	\$8.3	\$1.9

### Grant Fund Balance

The Grant Fund balance can fluctuate from year to year due to the nature of the specific grants that have been awarded. Most of the City's grant awards are "expenditure driven" reimbursement grants, meaning the City is reimbursed after the grant-related expenditure is made for the intended purpose. On a less frequent basis, the City is awarded "endowment" type grants, which means the City actually receives the grant funding prior to making an expenditure.

## Debt Service Funds

### Fund Purpose

This fund records the accumulation of resources for, and the payment of, long-term debt principal and interest not serviced by the proprietary funds, with the exception of General Fund, which is shown in the General Fund debt service section of the Five-Year Financial Plan. The applicable specific revenues, expenditures, and fund balance of the Debt Service Fund are described below:

### Debt Service Fund Revenues and Transfers-In

**Secondary Property Tax** represents the portion of the property tax that is exclusively limited to pay debt service by Arizona State Statute. While the growth is unlimited, the City's use of this portion of the property tax is restricted by State Statute to solely pay debt service on voter approved general obligation bonds. The debt service for bonds already issued, plus estimated debt service for bonds planned to be issued within the budgeted fiscal year, is levied. Secondary property tax accounts for 54.1% of the total Debt Service Fund resources. The FY 2004/05 revenue forecast of \$26.9 million represents an increase of nearly \$4.2 million or 18.2% from the FY 2003/04 year-end estimate of \$22.7 million.

**Special Assessment Revenue** is estimated to be \$2.8 million for FY 2004/05, which is \$0.1 million less than the FY 2003/04 year-end estimate based on scheduled debt repayments. The \$2.8 million represents approximately 5.6% of the total debt service resources resulting from billings to the property owners within an Improvement District. Districts are formed when owners desire improvement to their property, such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3:1 prior to issuance of debt and 5:1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the City. In addition, per adopted financial policy, the City's cumulative improvement district debt will not exceed 5.0 percent of the City's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

**Transfers-In** for FY 2004/05 of approximately \$20.0 million will be transferred in from the 1995 Preservation Privilege Tax Fund (.20%) (Special Revenue Fund) to pay debt service of \$13.1 million for Preserve General Obligation Bonds and \$6.9 million for Preserve Revenue Bonds issued for land acquisition in the McDowell Mountain Sonoran Preserve.

#### Secondary Property Tax Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$26.9	\$26.9*
2003/04	\$25.5	\$22.7*
2002/03	\$22.8	\$22.4
2001/02	\$21.9	\$21.6

#### Special Assessment Revenue Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.8	\$2.8*
2003/04	\$2.9	\$2.9*
2002/03	\$2.6	\$2.3
2001/02	\$3.1	\$2.3



### Debt Service Fund Expenditures By Debt Type

**General Obligation (GO) / Preserve GO Bonds Debt Service** totals \$40.0 million for FY 2004/05, which represents an increase of nearly \$4.9 million or 14.0% from the FY 2003/04 adopted budget. The Preserve GO Bonds represent debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve debt is repaid by a dedicated .20% sales tax authorized by voters in 1995. The increase in the debt service expenditure is attributable to the May 2004 GO debt issuances of \$48.0 million for a variety of capital improvements and \$65.4 million for the continuing purchase of the McDowell Sonoran Preserve.

**Special Assessment Debt Service** totals \$2.8 million for FY 2004/05, which reflects a \$0.1 million decrease from the FY 2003/04 adopted budget. Special Assessment Bonds are issued for property owners desiring improvements to their property such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. The City's debt management policy requires that the full cash value of the property to debt ratio is a minimum of 3:1 prior to issuance of debt and at least 5:1 after construction of the improvements.

**Preserve Revenue Authority Bonds Debt Service** obligations for FY 2004/05 total \$6.9 million, which is equivalent to the FY 2003/04 adopted budget. The Preserve Revenue Authority Bonds represent prior debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. The debt service remains level in FY 2004/05, as no new bonds of this type will be issued. All future preserve debt will be repaid from the dedicated 2004 Preservation Privilege (Sales) Tax (.15%) authorized by the voters on May 18.

#### General Obligation Bond Debt Service Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$40.0	\$40.0*
2003/04	\$35.1	\$31.9*
2002/03	\$32.4	\$31.4
2001/02	\$30.3	\$25.2

#### Special Assessment Debt Service Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.8	\$2.8*
2003/04	\$2.9	\$2.9*
2002/03	\$2.6	\$2.3
2001/02	\$3.1	\$2.6

#### Preserve Revenue Bonds Authority Debt Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.9	\$6.9*
2003/04	\$6.9	\$6.9*
2002/03	\$6.9	\$6.9
2001/02	\$6.9	\$6.8

### Revenues Over/(Under) Expenditures

The excess of total expenditures and transfers out over total revenues and transfers in FY's 2004/05 through 2006/07 is the result of planned uses of beginning fund balance and /or defeasances of outstanding debt.

### Debt Service Fund Balance

The Debt Service Fund balance varies primarily due to the timing of debt issuances and related repayment schedule. The ending FY 2004/05 fund balance is projected to be \$10.5 million, which is equal to the FY 2003/04 year-end estimate. Based upon favorable market conditions, the fund balance may be used to defease outstanding debt.

## Enterprise Funds

### Description

The City uses three separate Enterprise Funds to account for the activity of this proprietary fund type. The individual funds are Water & Sewer, Solid Waste, and Aviation. In the aggregate, the Enterprise Funds are the City's second largest source of revenues, which are derived from user fees and charges. User fees and charges are established to promote efficiency by shifting payment of costs to specific users of services and avoiding general taxation. Moderate rate increases are included as part of this budget to offset increasing operating costs, mandated environmental standard compliance, and pay-as-you-go capital costs attributable to repair and replacement of infrastructure. The applicable specific revenues of the individual funds along with each fund's purpose are described below:

### Water & Sewer Funds

#### Fund Purpose

This fund accounts for the activity related to the City's water and sewer business activity, including operating and debt service payments. Capital Expenditures are accounted for in various CIP funds.

#### Water & Sewer Funds Revenues and Transfers-In

**Water Charges Revenue** adopted budget for FY 2004/05 totals \$70.8 million, which reflects a \$1.4 million increase or 2.0% from FY 2003/04 year-end estimate. The increase is a combination of an increase in the water rate and growth from anticipated new customers, partially offset by a decrease in water consumption. Monthly water billings consist of a base charge according to meter size and a variable charge for the amount of water consumed. The FY 2004/05 budget includes a 2.5% water rate increase for increased operating and capital costs resulting from the following "unfunded" mandated and proposed regulations from the United States Environmental Protection Agency (EPA): (1) EPA Mandatory Arsenic Rule requiring that utilities decrease the maximum contaminant level of arsenic in drinking water from 50 parts per billion to 10 parts per billion by 2006; and (2) Pending EPA Disinfection by-product regulation (by-products resulting from adding chlorine to water) requiring that water systems in the United States reduce Disinfection by-products in potable water at all points of delivery in the system. The City anticipates required compliance by 2006. These significant federal "unfunded" mandates will require costly improvements to Scottsdale's water treatment and delivery systems in order to meet the new requirements.

Because the majority of the City's groundwater resources exceed the new standard for arsenic, the City is particularly susceptible to arsenic related cost increases. The City must continue its reliance on groundwater, where arsenic is naturally occurring, for peak demand and drought protection. Therefore, the City has incorporated an arsenic mitigation program into its capital improvement program to ensure that the City's groundwater supply resources will be in

Water Charges Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$70.8	\$70.8*
2003/04	\$71.4	\$69.4*
2002/03	\$65.9	\$66.7
2001/02	\$62.5	\$65.1

compliance with the Arsenic Rule by January 2006. The arsenic mitigation program has identified the most cost-effective method for treating the groundwater, has initiated land acquisition for planned treatment facilities, and has secured contracts for the design and construction of these facilities. The estimated cost for this program is approximately \$59.5 million during the planning horizon. This program benefits existing customers.

As noted, the City must also address environmental regulations that require all water systems in the United States to reduce the maximum contaminant level of disinfection by-products in potable water at all points of system delivery. To ensure compliance, the City will add granular-activated carbon to its treatment processes at its treatment facilities. Total projected costs for disinfection by-products compliance is \$40.0 million for existing customers. The total capital costs for the City to address these "unfunded" federal mandates is approximately \$100.0 million

The financial plan to address these requirements calls for debt issuance that will help level the impacts to our customers over many years, thereby avoiding large rate increase in any one year.

### Overview of User Fees Revenue Policy

Enterprise User Fees rate adjustments are based upon five-year financial plans developed for each operation, and are reviewed annually per Scottsdale's adopted financial policies to meet the stated objectives of:

- Equity — charges are borne by the beneficiaries of a project or service;
- Level distribution of necessary cost increases — to avoid large rate increases in any one year;
- Increasing debt as little as possible — to ensure that the City can meet bond coverage requirements and remain financially healthy;
- Rate design — which encourages conservation and efficient use of City resources.

**Sewer Charge Revenue** budget for FY 2004/05 totals \$26.1 million, which reflects a \$0.7 million or 2.9% increase from the FY 2003/04 year-end estimates. The increase is a combination of an increase in the sewer rate and growth from anticipated new customers. Residential customers are charged a flat fee per month and commercial users are charged based upon water consumption and type of business. Fees are studied annually to determine if they are covering the cost of providing this service. The FY 2004/05 budget includes a 3.0% rate increase for the costs associated with expansion and upgrades to wastewater treatment facilities.

**Effluent Sales** revenue budget totals \$0.5 million, which reflects approximately a \$0.1 million increase from the FY 2003/04 year-end estimate. Effluent sales relate to the sewage treated to irrigation standards at the City's Water Campus for the 23 golf courses in north Scottsdale that are part of the Reclaimed Water Distribution System and the Gainey Ranch golf course effluent use from that regional wastewater plant. Both are contractual obligations to provide effluent water for irrigation uses and all costs for providing these services are recovered through rates charged for the use.

#### Sewer Charge Revenue Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$26.1	\$26.1*
2003/04	\$25.9	\$25.4*
2002/03	\$26.8	\$25.5
2001/02	\$26.5	\$24.3

#### Effluent Sales Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.4	\$0.4*
2002/03	\$0.3	\$0.5
2001/02	\$0.4	\$0.4

**Interest Earnings** are generated on idle Water & Sewer Fund cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. Interest revenue for FY 2004/05 of \$1.1 million reflects a \$1.0 million decrease from the FY 2003/04 year-end estimate. This decrease is a result of low interest rates and fluctuating account balances.

**Miscellaneous Revenue** budget totals \$2.2 million for FY 2004/05, which is nearly a \$1.1 million increase from the FY 2003/04 year-end estimate. Receipts from the Central Groundwater Treatment Facility Superfund site are the primary revenue contributor.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	\$2.1	\$2.1*
2002/03	\$2.3	\$0.5
2001/02	\$5.3	\$2.0

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.2	\$2.2*
2003/04	\$1.2	\$1.2*
2002/03	\$3.9	\$7.1
2001/02	\$3.8	\$3.3

**Transfers-In** include the \$6.6 million portion of Sewer Development fee revenues received in the enterprise capital improvement fund, which is transferred to the General Fund budget to pay debt service on revenue bonds issued for development-related capital improvements. The FY 2004/05 budget remains consistent with the FY 2003/04 year-end estimate.

## Water & Sewer Fund Expenditures By Expenditure Type

The Water & Sewer Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

**Personal Services** budget of \$11.3 million represents 17.6% of the FY 2004/05 Water & Sewer operating budget. The adopted FY 2004/05 personal services budget increased \$0.7 million from the FY 2003/04 adopted budget. Major personal services cost drivers in the budget include increases of \$0.6 million related to health insurance costs, retirement system costs, a 2.5% salary market adjustment, and an additional 3.0 FTEs for increased maintenance efforts at both existing and new facilities at a cost of \$0.1 million for FY 2004/05.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.3	\$11.3*
2003/04	\$10.6	\$10.6*
2002/03	\$9.9	\$9.7
2001/02	\$9.9	\$9.6

**Contractual Services** budget of \$20.1 million represents 31.3% of the FY 2004/05 Water & Sewer operating budget. The budget increased \$1.2 million from the FY 2003/04 adopted budget due to the 91st Avenue Wastewater Treatment Plant billing estimates from the City of Phoenix based on strengths and flows.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20.1	\$20.1*
2003/04	\$18.9	\$18.9*
2002/03	\$17.9	\$16.6
2001/02	\$19.5	\$18.4

**Commodities** budget of \$13.5 million represents 21.0% of the FY 2004/05 Water & Sewer operating budget. The adopted FY 2004/05 commodities budget increased \$0.7 million from the FY 2003/04 adopted budget related to water treatment chemicals and lab supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.5	\$13.5*
2003/04	\$12.8	\$12.8*
2002/03	\$13.6	\$12.3
2001/02	\$14.5	\$11.8

See glossary for  
Expenditure Type  
definitions.

**Capital Outlay** budget for FY 2004/05 is \$0.1 million, which is 0.2% of the FY 2004/05 Water & Sewer operating budget. The adopted FY 2004/05 budget increase of \$0.1 million is related to the purchase and upgrades of water trucks to meet additional workload capacity needs and address safety requirements.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.1	\$0.1*
2003/04	-	-
2002/03	-	\$0.1
2001/02	\$0.2	\$0.2

**Debt Service** budget of \$19.3 million represents 30.5% of the FY 2004/05 Water & Sewer operating budget. The adopted FY 2004/05 debt services budget increased \$5.3 million from the FY 2003/04 adopted budget related to issuance and sale of \$75.0 million principal amount MPC Bonds issued May 1, 2004. General Obligation Bond debt service for bonds previously issued decreased \$0.4 million, or 7.1%. Revenue Bond debt service for bonds previously issued remained unchanged. Debt service payments are funded from water and sewer service fees and an annual transfer of \$4.9 million in sewer development fees from the Capital Improvement Program.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19.3	\$19.3*
2003/04	\$14.0	\$19.8*
2002/03	\$15.9	\$11.4
2001/02	\$13.0	\$14.5

**Transfers-Out** equals \$42.2 million, which is an increase of \$17.4 million over the prior year budget. The increase is primarily attributable to an increase in the capital fund transfer. The other transfers-out to the General Fund includes \$0.2 million for the City's security contract.

## Water & Sewer Fund Balance/Reserves

Fund Balance/Reserves protect the City's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) expenditures since once fund balances are spent; they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the City to "set aside savings" before it is allocated or spent as budgeted expenditures. The specific make-up of the City's fund balance and reserves are noted below:

**Operating Reserve** of approximately \$18.3 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days.

**Repair/Replacement Reserve** of approximately \$16.4 million is required by the revenue bond indenture to ensure that funds are set aside to preserve the assets, which in turn are the collateral for the Water Revenue Bonds. The reserve is required to be at least 2.0 percent of the revenues received during the year, or until the reserve equals 2.0 percent of the value of total tangible assets. The reserve may be used from time to time for replacement or extension of the assets.

**Unreserved Fund Balance** for FY 2004/05 is zero. This fund balance represents the net financial resources that are expendable or available for budgeting. In the event there is a remaining unreserved fund balance at fiscal year-end, the balance is transferred to the Capital Improvement Program.

## Solid Waste Fund

### Fund Purpose

This fund accounts for the transactions related to the City's solid waste and recycling business activity, including operating and debt service payments. Capital expenditures are accounted for in a separate Capital Improvement Plan fund.

### Solid Waste Fund Revenues

**Solid Waste Revenue** budget for FY 2004/05 totals \$16.7 million, which reflects a \$0.5 million or 3.4% increase in Solid Waste revenue from the FY 2003/04 year-end estimate. The nominal increase is solely attributable to growth from anticipated new customers. Solid Waste Charges are billed monthly for the pickup of solid waste. Residential customers are charged a flat fee per month, while commercial customers are charged based upon the size of the container and the number of pickups per month. In addition, the City also provides roll-off, uncontained service, recycling programs, and household hazardous waste collection. The FY 2004/05 budget includes no rate increase for residential and commercial customers.

**Interest Earnings** budget of \$40,468 for FY 2004/05 is expected to remain relatively flat with the FY 2003/04 year-end estimate. Interest Earnings are generated on idle Solid Waste Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Solid Waste Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.7	\$16.7*
2003/04	\$16.2	\$16.2*
2002/03	\$16.1	\$16.3
2001/02	\$16.2	\$15.8

Interest Earnings Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$40,468	\$40,468*
2003/04	\$48,700	\$48,700*
2002/03	\$44,013	\$41,918
2001/02	\$35,000	\$55,200



## Solid Waste Fund Expenditures By Expenditure Type

The Solid Waste Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

**Personal Services** budget of \$4.3 million represents 32.3% of the FY 2004/05 Solid Waste Fund budget. The adopted FY 2004/05 personal services budget increased \$0.1 million or 2.0% from the FY 2003/04 adopted budget. The budget does not include any additional positions. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.3	\$4.3*
2003/04	\$4.2	\$4.2*
2002/03	\$3.9	\$4.0
2001/02	\$3.8	\$3.7

**Contractual Services** budget of \$8.3 million represents 62.4% of the FY 2004/05 Solid Waste Fund budget. The adopted FY 2004/05 contractual services budget increased \$0.1 million or 1.0% from the FY 2003/04 adopted budget due in part to increased costs related to fleet maintenance and operations.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$8.3	\$8.3*
2003/04	\$8.2	\$8.2*
2002/03	\$8.0	\$7.7
2001/02	\$7.9	\$7.6

**Commodities** budget of \$0.3 million represents 2.3% of the FY 2004/05 Solid Waste Fund budget. The adopted FY 2004/05 commodities budget increased \$14,769 from the FY 2003/04 adopted budget related to the purchase of additional refuse containers.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.4	\$0.3
2001/02	\$0.6	\$0.4

See glossary for  
Expenditure Type  
definitions.

**Capital Outlay** budget of \$70,000 represents 0.8% of the FY 2004/05 Solid Waste Fund budget. Funds will be used to purchase a new compact loader and trailer for more effective bulk collection services to residents.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$70,000	\$70,000*
2003/04	-	-
2002/03	\$231,452	\$7,530
2001/02	\$23,688	\$12,730

**Debt Service** includes approximately \$0.3 million for the payment of MPC debt service on the Transfer Station. The amount of the debt service is consistent with the prior year.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.3	\$0.3

**Transfers-Out** equals \$2.5 million, which is an increase of \$0.5 million from the FY 2003/04 year-end estimate. The other transfers-out to the General Fund includes \$0.4 million for the Enhanced Maintenance Services Pilot Program in the downtown, covering more than 700 acres.

## Solid Waste Fund Balance

**Operating Reserve** of \$3.3 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies and the probability of significant future increases in landfill costs.

**Unreserved Fund Balance** of \$1.9 million represents the net financial resources that are expendable or available for budgeting.

## Aviation Fund

### Fund Purpose

This fund accounts for the transactions related to the City's aviation business activity at the Scottsdale Airport, which includes operating and debt service payments. Capital Expenditures are accounted for in a separate CIP fund.

### Aviation Fund Revenues

**Aviation Fees and Charges** are for a variety of services provided to airport customers including tie down fees, hangar rentals, fuel sales, and other rental charges. The FY 2004/05 budget of \$2.9 million remains flat with the FY 2003/04 year-end estimate. No rate increase is included in FY 2004/05.

**Interest Earnings** budgeted amount for FY 2004/05 totals \$20,276, which is up from the FY 2003/04 year-end estimate of \$9,924.

#### Aviation Fees and Charges Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.9	\$2.9*
2003/04	\$2.9	\$2.9*
2002/03	\$2.4	\$2.4
2001/02	\$1.5	\$1.7

**Transfers-In** budget of \$0.1 million for FY 2004/05 is related to jet fuel tax collected and receipted in the General Fund and transferred to reimburse the Aviation Fund. This is strictly a tax receipt process and is not a General Fund subsidy to the Aviation Fund.

### Aviation Fund Expenditures By Expenditure Type

The direct operating expenditures of the Aviation Fund are divided into the following three major expenditure categories, plus transfers-out:

**Personal Services** budget of \$0.8 million represents 57.1% of the FY 2004/05 Aviation funds operating budget. The adopted FY 2004/05 personal services budget increased by less than \$0.1 million from the FY 2003/04 adopted budget. The major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a 2.5% salary market adjustment.

#### Personal Services Adopted Budget to Actual/Estimate\* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.8	\$0.8*
2003/04	\$0.7	\$0.7*
2002/03	\$0.7	\$0.7
2001/02	\$0.6	\$0.6

See glossary for  
Expenditure Type  
definitions.

**Contractual Services** budget of \$0.5 million represents 35.7% of the FY 2004/05 Aviation funds operating budget. The adopted FY 2004/05 budget remains flat with the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.6
2001/02	\$0.5	\$0.5

**Commodities** budget of \$0.1 million represents 4.4% of the FY 2004/05 Aviation funds operating budget, which remains relatively flat with the FY 2003/04 adopted budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.1M	\$0.1M*
2003/04	\$61,670	\$61,670*
2002/03	\$64,670	\$31,176
2001/02	\$50,795	\$77,090

**Transfers-Out** equal \$1.4 million, which is an increase of \$0.4 million from the FY 2003/04 year-end estimate.

## Aviation Fund Balance

**Operating Reserve** of slightly more than \$0.5 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies, provide for potential grant matches, and to ensure that further General Fund subsidies are avoided.

**Repair and Replacement Reserve** of \$0.3 million is projected for the end of FY 2004/05. The intent of the reserve is to ensure adequate funding for emergency repair and replacement.

## Internal Service Funds

## Description

The City uses two separate Internal Service Funds to account for the activity of this fund type. The individual funds are Fleet Management and Self-Insurance Funds.

*Fleet Management Fund*

## Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the City's vehicles. Replacement and operation of vehicles are charged to the City departments as internal operating costs to each program based on the quantity and type of vehicle used. The department charges become revenue to the Fleet Management Fund.

## Fleet Management Fund Revenues and Transfers-In

**Internal Charges** (Vehicle Acquisition and Maintenance & Operation) represent approximately 95.3% of this fund's operating resources (revenue and transfers-in). These charges are comprised of a "rental" rate to programs sufficient for the acquisition/replacement, maintenance, and operation of City vehicles. Internal Charges for FY 2004/05 totals \$11.5 million and are projected to increase by approximately \$0.4 million from the FY 2003/04 year-end estimate. This is primarily attributed to the added cost to replace, maintain, and operate new vehicles added in FY 2003/04 and late FY 2002/03.

**Miscellaneous Revenue** from surplus property sales is budgeted at \$0.2 million for FY 2004/05, which is down a nominal \$16,518 compared to the FY 2003/04 year-end estimate.

Internal Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.5	\$11.5*
2003/04	\$11.1	\$11.1*
2002/03	\$10.5	\$10.5
2001/02	\$10.9	\$10.7

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.2	\$0.2*
2003/04	\$0.3	\$0.2*
2002/03	\$0.3	\$0.2
2001/02	-	\$0.5

## INTERNAL SERVICE FUNDS

## Budget by Fund

**Interest Earnings** budget for FY 2004/05 totals \$0.4 million, which is a \$0.1 million increase from the FY 2003/04 year-end estimate. Interest earnings are generated on idle Fleet Management Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.7	\$0.5

### Fleet Management Fund Expenditures By Expenditure Type

The direct operating expenditures of the Fleet Management Fund are divided into the following four major expenditure categories:

**Personal Services** budget of \$2.6 million represents 25.0% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 personal services budget increased \$0.1 million or 6.0% from the FY 2003/04 adopted budget. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, a 2.5% salary market adjustment, and an additional 4.0 FTEs with staggered hire dates starting in March 2005 for maintenance support of City's municipal fire department at a cost of approximately \$52,000.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.6	\$2.6*
2003/04	\$2.5	\$2.5*
2002/03	\$2.6	\$2.3
2001/02	\$2.6	\$2.4

**Contractual Services** budget of \$0.7 million represents 6.7% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 contractual services budget remained flat from the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.7	\$0.7*
2003/04	\$0.7	\$0.7*
2002/03	\$0.7	\$0.7
2001/02	\$0.7	\$0.7

## INTERNAL SERVICE FUNDS

## Budget by Fund

**Commodities** budget of \$3.5 million represents 33.0% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 commodities services budget increased \$0.3 million from the FY 2003/04 adopted budget related to increased prices for gas, as well as petroleum-based products and supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.5	\$3.5*
2003/04	\$3.2	\$3.2*
2002/03	\$3.3	\$3.5
2001/02	\$3.5	\$3.0

**Capital Outlay** budget of \$3.6 million represents 34.6% of the FY 2004/05 Fleet Management Fund operating budget. The adopted FY 2004/05 capital outlay budget remains relatively flat with the FY 2003/04 adopted budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.6	\$3.6*
2003/04	\$3.5	\$3.5*
2002/03	\$5.4	\$3.9
2001/02	\$4.8	\$4.6

### Fleet Management Fund Balance

The Fleet Management Fund balance varies primarily due to the vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles is evenly spread over the expected life of the vehicles. This charge becomes revenue to the Fleet Management Fund and is representative of the replacement charge for many vehicles with differing useful lives. Therefore, the revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases.

The ending FY 2004/05 fund balance is projected to be approximately \$9.4 million, which is nearly a \$0.1 million increase above the FY 2003/04 year-end estimate.

See glossary for  
Expenditure Type  
definitions.



## Self-Insurance Fund

### Fund Purpose

The Self-Insurance Fund is used to account for the City's self-insurance program. Revenue to this fund is derived from charges to user programs. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims.

### Self-Insurance Fund Revenues and Transfers-In

**Internal Charges (Property & Liability Insurance)** represent approximately 21.7% of this fund's operating resources. These charges are comprised of a self-insurance charge covering general and auto liability/physical damages, workers' compensation, unemployment taxes, and property charges. The FY 2004/05 budget of \$4.1 million remains flat with the FY 2003/04 year-end estimate.

Internal Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.1	\$4.1*
2003/04	\$4.1	\$4.1*
2002/03	\$4.3	\$4.1
2001/02	\$4.7	\$4.7

**Group Health and Dental (Employer/Employee)** represent approximately 70.5 % of this fund's operating resources. These charges are comprised of employer and employee contributions toward the City being fully self-insured. The FY 2004/05 budget of \$13.3 million reflects the first year of full self-insured status by the City.

Group Health and Dental Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.3	\$13.3*
2003/04	-	-
2002/03	-	-
2001/02	-	-

**Interest Earnings** are generated on idle Self-Insurance Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield. The FY 2004/05 budget of \$0.4 million, which now includes interest earnings pertaining to Group Healthcare, remains relatively flat from the FY 2003/04 year-end estimate.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.4*
2002/03	\$0.3	\$0.3
2001/02	\$0.8	\$0.5

**Property Taxes (Tort Claims)** reimburse the City for the actual cost of liability claim judgments paid during the most recently completed calendar year, as allowed by the Arizona Attorney General. Claim judgments are paid from the Self-Insurance Fund – an Internal Service Fund – and therefore, the reimbursement becomes revenue to this fund. The FY 2004/05 budget of \$0.4 million reflects a decrease of \$0.2 million from the FY 2003/04 year-end estimate, which is attributable to fewer liability claim judgments paid by the City in the prior calendar year.

Property Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.6	\$0.6*
2002/03	\$1.0	\$0.6
2001/02	-	\$0.6

**Transfers-In** total \$0.6 million from the General Fund to address anticipated rate increases and future actuarially determined funding needs.

**Self-Insurance Fund Expenditures By Expenditure Type**

The direct operating expenditures of the Self-Insurance Fund are divided into the following three major expenditure categories plus transfers-out:

**Personal Services** budget of \$0.5 million represents 9.6% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 personal services budget increased 3.0% from the FY 2003/04 adopted budget. The budget does not include any additional staff positions. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.5
2001/02	\$0.5	\$0.5

**Contractual Services** budget of \$4.7 million represents 90.4% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 contractual services budget remains flat with the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.7	\$4.7*
2003/04	\$4.7	\$4.7*
2002/03	\$4.6	\$4.3
2001/02	\$3.9	\$5.2

**Commodities** budget of \$42,500 represents less than 1.0% of the FY 2004/05 Self-Insurance Fund budget. The adopted FY 2004/05 commodities budget remains flat with the FY 2003/04 adopted budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$42,500	\$42,500*
2003/04	\$0.1M	\$0.1M*
2002/03	\$0.2M	\$0.1M
2001/02	\$0.1M	\$0.1M

**Transfers-Out** budget of \$11,100 will be sent to the CIP fund for replacement of technical equipment.

**Self-Insurance Fund Balance**

The Self-Insurance Fund balance is maintained to provide for coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims. The required fund balance is actuarially determined on an annual basis.

The ending FY 2004/05 fund balance is projected to be \$20.1 million, which is an increase of \$2.1 million from the FY 2003/04 year-end estimate.

## Trust Funds

### Description

This fund is used to account for assets "held in trust" by the City. The City holds the funds in a trustee capacity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 34. All funds not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose. The City maintains the following three Trust Funds:

### *Streetlight Districts & Downtown Enhanced Municipal Service District*

#### Fund Purpose

Used to account for proceeds received by property owners in return for the City providing agreed-upon increased levels of municipal services beyond the standard level of core City service. The FY 2004/05 adopted budget is nearly \$1.2 million and will be used to pay for contractual services.

### *Mayor's Committee for Employment of the Handicapped*

#### Fund Purpose

Used to account for proceeds for programs and activities to promote employment of handicapped individuals. The FY 2004/05 adopted budget is \$15,000 and will be used to pay for contractual services.

### *Scottsdale Memorial Hospital Redevelopment*

#### Fund Purpose

Used to account for expenditures related to the development of the Scottsdale Memorial Hospital area. The FY 2004/05 adopted budget is over \$0.4 million and will be used to pay for capital outlay.

### Revenues Over/(Under) Expenditures

Based on a planned use of beginning fund balance, the expenditures appropriately exceed the current year projected revenues.

**Alphabetical Program Operating Budget Index by Department/Program**

The following matrix provides a summary of the total adopted FY 2004/05 Program Operating Budget by department and highlights each department's specific programs. The matrix includes the source(s) of funding for each program by governmental fund accounting type plus it includes the applicable number of full-time equivalent employees (FTE's) by program and department. Further details on an individual program can be found in Volume Two of the adopted FY 2004/05 budget. The column on the right-hand side of the matrix indicates the specific page cross-reference in Volume Two where the program information begins.

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
<b>General Government</b>							
City Attorney-Civil	18.50	1,953,161	-	-	-	1,953,161	32
City Cable	4.00	306,686	-	-	-	306,686	54
City Clerk	8.50	669,981	-	-	-	669,981	24
City Manager	10.00	718,581	-	-	-	718,581	48
Communications & Public Affairs	10.65	1,016,826	-	-	-	1,016,826	52
Court	59.08	3,982,386	291,292	-	-	4,273,678	43
Elections	-	2,130	-	-	-	2,130	26
Environmental Planning Services	1.00	190,299	-	-	-	190,299	72
Intergovernmental Relations	3.72	714,782	-	-	-	714,782	58
Internal Audit Program	8.00	680,443	-	-	-	680,443	40
Litigation	6.00	727,298	-	-	-	727,298	30
Mayor & City Council	11.00	737,879	-	-	-	737,879	20
Preservation	4.00	497,434	10,000	-	-	507,434	70
Prosecution	26.00	1,898,290	-	-	-	1,898,290	34
The Downtown Group	6.00	3,923,439	300,000	-	-	4,223,439	66
Victim Services	7.50	422,949	-	-	-	422,949	36
Westworld Operations	18.00	2,271,440	-	-	-	2,271,440	62
	<b>201.95</b>	<b>20,714,004</b>	<b>601,292</b>	<b>-</b>	<b>-</b>	<b>21,315,296</b>	
<b>Police Department</b>							
Auto Theft Investigations	9.00	823,073	-	-	-	823,073	114
Bicycle Patrol	11.00	1,020,121	-	-	-	1,020,121	88
Burglary & Theft Investigations	15.00	1,468,178	-	-	-	1,468,178	112
Canine Services	6.00	642,221	-	-	-	642,221	92
Communications	56.00	3,438,215	-	-	-	3,438,215	140
Computer Crime Investig-P.S. Tax	7.00	721,510	-	-	-	721,510	118
Crime Analysis	5.00	278,195	-	-	-	278,195	148
Crime Laboratory	16.00	1,209,060	116,155	-	-	1,325,215	146
Crime Prevention	2.00	175,942	-	-	-	175,942	78
Crime Scene Processing	9.00	578,968	-	-	-	578,968	150
Detention	29.00	2,726,762	-	-	-	2,726,762	98
Domestic Violence Investigations	7.00	638,706	-	-	-	638,706	108
Emergency Services	3.00	287,787	-	-	-	287,787	154
Event Traffic Control	-	305,960	-	-	-	305,960	100
False Alarm Reduction Program	1.00	59,868	-	-	-	59,868	158

# PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM

*Budget by Fund*

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
Fraud Investigations	11.00	1,015,232	-	-	-	1,015,232	116
Intelligence Unit	11.00	947,644	-	-	-	947,644	128
Internal Affairs	3.00	349,457	-	-	-	349,457	80
Mounted Patrol	7.10	540,927	12,500	-	-	553,427	92
Municipal Security	2.00	1,364,366	-	-	-	1,364,366	156
Narcotics Clandestine Lab Invest.	8.00	743,828	-	-	-	743,828	124
Narcotics Undercover Investigations	9.00	1,375,451	221,130	-	-	1,596,581	122
Office Of The Chief	11.00	1,447,692	10,000	-	-	1,457,692	76
Park & Preserve Patrol-P.S. Tax	7.00	581,018	-	-	-	581,018	96
Patrol Problem Solving Surv. Team	6.00	590,105	-	-	-	590,105	90
Patrol Services	220.00	20,548,603	-	-	-	20,548,603	82
Photo Enforcement	1.00	1,877,861	-	-	-	1,877,861	84
Planning, Research & Accreditation	5.00	356,975	-	-	-	356,975	152
Police Crisis Intervention	6.00	563,341	-	-	-	563,341	110
Police Records	30.00	1,599,236	-	-	-	1,599,236	134
Police Supply & Equipment	7.00	1,452,094	-	-	-	1,452,094	138
Property & Evidence	6.00	330,526	-	-	-	330,526	144
Recruiting & Personnel	7.00	564,175	-	-	-	564,175	130
School Resource Services	16.00	1,284,951	10,000	-	-	1,294,951	120
Sex Crimes Investigations	11.00	1,011,666	5,000	-	-	1,016,666	106
Special Event/Off Duty Coordination	2.00	161,060	-	-	-	161,060	102
Surveillance/SWAT	7.00	771,888	-	-	-	771,888	126
Technology	7.00	1,485,510	-	-	-	1,485,510	136
Telephone Reporting Services	5.00	274,568	-	-	-	274,568	142
Traffic Enforcement	29.00	3,128,264	-	-	-	3,128,264	86
Training	8.00	898,672	-	-	-	898,672	132
Violent Crimes Investigations	13.00	1,417,226	-	-	-	1,417,226	104
<b>631.10</b>		<b>61,056,902</b>	<b>374,785</b>	<b>-</b>	<b>-</b>	<b>61,431,687</b>	
<b>Financial Services</b>							
Accounting	13.00	1,491,995	-	-	-	1,491,995	164
Accounts Payable & Payroll	14.50	910,308	-	-	-	910,308	166
Budget	6.00	544,208	-	-	-	544,208	168
Copy Center	-	(95,818)	-	-	-	(95,818)	178
Financial Planning & Administration	3.00	370,896	-	-	-	370,896	162
Graphics	4.00	108,637	-	-	-	108,637	176
Mail	5.00	700,730	-	-	-	700,730	180
Meter Reading	15.00	-	-	973,961	-	973,961	186
Purchasing	15.00	1,101,475	-	-	-	1,101,475	172
Remittance Processing	12.00	471,474	-	471,474	-	942,948	190
Revenue Recovery	12.50	432,755	-	432,804	-	865,559	184
Risk Management	7.00	-	-	-	16,737,735	16,737,735	170
Stores/Warehouse Operations	5.00	312,227	-	-	-	312,227	174
Tax & License	13.00	753,128	-	-	-	753,128	182
Tax Audit	8.00	576,820	-	-	-	576,820	192
Utility Billing	10.00	-	-	883,894	-	883,894	188
<b>143.00</b>		<b>7,678,835</b>	<b>-</b>	<b>2,762,133</b>	<b>16,737,735</b>	<b>27,178,703</b>	

# PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM

*Budget by Fund*

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
<b>Transportation Department</b>							
Aviation	12.35	-	-	1,449,468	-	1,449,468	198
Intelligent Transportation Systems	3.00	-	567,619	-	-	567,619	206
Traffic Engineering	9.00	-	1,210,702	-	-	1,210,702	204
Transit	3.00	-	7,971,589	-	-	7,971,589	202
Transportation Administration	6.00	-	546,808	-	-	546,808	196
Transportation Master Planning	4.00	-	267,011	-	-	267,011	200
	<b>37.35</b>	<b>-</b>	<b>10,563,729</b>	<b>1,449,468</b>	<b>-</b>	<b>12,013,197</b>	
<b>Community Services</b>							
Adapted Recreation Services	6.88	312,888	-	-	-	312,888	214
Adult Sports & Fitness Programs	32.25	1,944,647	-	-	-	1,944,647	218
Aquatics	32.38	1,170,474	-	-	-	1,170,474	216
Branch Libraries	55.58	2,603,784	-	-	-	2,603,784	244
Community Rec. Services & Facilities	51.15	1,912,085	1,379,512	-	-	3,291,597	222
Community Svs Planning & Admin	4.00	591,865	-	-	-	591,865	210
Construction Services	9.00	815,839	-	-	-	815,839	260
Contract Administration	6.00	2,059,401	-	-	-	2,059,401	262
Downtown Maintenance Program	-	465,083	-	-	-	465,083	250
Facilities Maintenance	33.00	8,386,408	-	-	-	8,386,408	258
Facilities Mgmt Planning & Admin	7.55	673,077	-	-	-	673,077	256
Grounds & Landscape Maintenance	67.50	5,209,630	-	-	-	5,209,630	248
Housing Assist. & CDBG Programs	13.75	318,841	200,000	-	-	518,841	236
Human Services Planning & Admin.	4.00	368,554	-	-	-	368,554	230
Leisure Education Programs	9.16	876,592	-	-	-	876,592	224
Library Operations	27.50	3,388,305	182,312	-	-	3,570,617	240
Library Planning & Administration	3.00	325,526	-	-	-	325,526	238
Main Library	42.97	1,992,592	-	-	-	1,992,592	242
Medians & Right-Of-Way	2.00	1,134,617	-	-	-	1,134,617	252
Parks & Grounds Mgmt-Plan. & Admin	4.00	364,534	-	-	-	364,534	246
Parks & Recreation Plan. & Admin	5.44	631,873	-	-	-	631,873	212
Parks & Trails Planning & Development	1.00	71,255	-	-	-	71,255	228
Professional Baseball	9.85	870,941	-	-	-	870,941	254
Senior Citizen Services	20.97	1,376,814	10,088	-	-	1,386,902	232
Social Services Assistance & Referral	32.03	2,343,437	205,000	-	-	2,548,437	234
Trails & Equestrian Facilities	2.20	127,265	-	-	-	127,265	226
Youth Act. & After School Programs	30.48	1,539,263	381,700	-	-	1,920,963	220
	<b>513.64</b>	<b>41,875,590</b>	<b>2,358,612</b>	<b>-</b>	<b>-</b>	<b>44,234,202</b>	



# PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM

*Budget by Fund*

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
<b>Information Systems</b>							
Appl. Dev.IntegrationMgmt & Support	12.00	1,304,592	-	-	-	1,304,592	268
Application Support	7.00	674,388	-	-	-	674,388	276
GIS Data Services	9.00	775,987	-	-	-	775,987	272
Help Desk/Desktop Technical Support	11.00	792,020	-	-	-	792,020	278
Information Systems Administration	5.81	504,737	-	-	-	504,737	266
Project Office	5.00	434,837	-	-	-	434,837	274
Tech. Infra./Implementation Support	29.00	3,577,692	-	-	-	3,577,692	270
	<b>78.81</b>	<b>8,064,253</b>	-	-	-	<b>8,064,253</b>	
<b>Fire Department</b>							
Fire Support	2.68	264,853	-	-	-	264,853	284
General Fire Protection	1.00	20,788,910	-	-	-	20,788,910	282
	<b>3.68</b>	<b>21,053,763</b>	-	-	-	<b>21,053,763</b>	
<b>Water Resources</b>							
Advanced Water Treatment Plant	-	-	-	1,504,078	-	1,504,078	330
Cap Treatment Plant	-	-	-	7,775,905	-	7,775,905	324
Central Groundwater Treat. Fac. (CGTF)	2.00	-	-	880,919	-	880,919	318
Gainey Wastewater Reclamation Plant	-	-	-	372,210	-	372,210	328
Industrial Pretreatment	2.00	-	-	165,386	-	165,386	326
Inlet Golf Course Irrigation	-	-	-	49,513	-	49,513	296
Irrigation Water Distribution Sys.	1.00	-	-	1,043,671	-	1,043,671	316
Planet Ranch Water Rights	1.00	-	-	234,545	-	234,545	290
Pump Back System	4.00	-	-	1,674,817	-	1,674,817	312
RWDS Administration	-	-	-	2,067,069	-	2,067,069	314
Southern Neighborhoods Water Sys.	-	-	-	3,807,632	-	3,807,632	306
Treatment Plant Staffing	32.50	-	-	1,196,425	-	1,196,425	322
Wastewater Collection	-	-	-	750,310	-	750,310	308
Wastewater Maintenance	-	-	-	345,554	-	345,554	310
Water & Wastewater Engineering	5.00	-	-	476,176	-	476,176	292
Water & Wastewater Op. Admin.	10.00	-	-	911,225	-	911,225	298
Water Camp. Wastewtr Recl. Plant	-	-	-	6,638,499	-	6,638,499	332
Water Conservation	4.00	-	-	478,716	-	478,716	300
Water Distribution	31.00	-	-	3,405,018	-	3,405,018	302
Water Production	20.00	-	-	5,993,863	-	5,993,863	304
Water Resources Administration	10.00	-	-	1,239,196	-	1,239,196	288
Water/Wastewater Quality	16.50	-	-	1,691,697	-	1,691,697	320
West World Golf Recharge	-	-	-	131,520	-	131,520	294
	<b>139.00</b>	-	-	<b>42,833,944</b>	-	<b>42,833,944</b>	

# PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM

*Budget by Fund*

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
.....							
<b>Municipal Services</b>							
Alley Maintenance	-		363,452	-	-	363,452	378
Asset Management	2.00	193,745	-	-	-	193,745	340
Capital Project Management	33.75	-	-	-	-	-	338
Commercial Refuse Collection	10.00	-	-	2,407,992	-	2,407,992	350
Container Repair Program	2.00	-	-	344,552	-	344,552	346
Emergency Response Team	-	-	54,038	-	-	54,038	354
Field Services Administration	2.00	-	243,788	-	-	243,788	352
Fleet Maintenance & Operations	35.00	-	-	-	4,358,479	4,358,479	368
Fleet Management Administration	5.00	-	-	-	555,001	555,001	366
Fleet Parts Supply	5.00	-	-	-	311,685	311,685	370
Fuel	-	-	-	-	1,585,242	1,585,242	372
Household Hazardous Waste	-	-	-	203,695	-	203,695	376
Municipal Services Administration	3.00	344,038	-	-	-	344,038	336
Residential Refuse Collection	59.25	-	-	8,764,419	-	8,764,419	344
Solid Waste Management Admin Svcs	5.00	-	-	414,617	-	414,617	342
Stormwater Management	4.00	-	-	-	-	-	380
Street Cleaning	9.00	-	853,944	-	-	853,944	360
Street Overlays & Maintenance	8.00	-	5,553,945	-	-	5,553,945	362
Street Signs & Markings	9.00	-	964,219	-	-	964,219	358
Traffic Signals	14.00	-	2,270,014	-	-	2,270,014	356
Transfer Station Operations	3.00	-	-	262,378	-	262,378	348
Unpaved Roads & Drainage Sys. Maint	10.00	-	1,164,907	-	-	1,164,907	364
Vehicle Acquisition	-	-	-	-	3,553,348	3,553,348	374
	<b>219.00</b>	<b>537,783</b>	<b>11,468,307</b>	<b>12,397,653</b>	<b>10,363,755</b>	<b>34,767,498</b>	
<b>Citizen &amp; Neighborhood Resources</b>							
Citizen & Neighborhood Admin	4.00	425,511	-	-	-	425,511	384
Code Enforcement	15.00	1,087,408	19,692	-	-	1,107,100	392
Customer Service & Communications	6.00	523,806	-	-	-	523,806	386
Housing Rehabilitation & Ada	2.00	74,106	-	-	-	74,106	394
Information Resources	7.00	420,218	-	-	-	420,218	388
Neighborhood Services	3.00	487,801	-	-	-	487,801	390
	<b>37.00</b>	<b>3,018,850</b>	<b>19,692</b>	<b>-</b>	<b>-</b>	<b>3,038,542</b>	
<b>Human Resources Systems</b>							
Diversity & Dialogue	2.00	271,221	7,200	-	-	278,421	406
Employee Programs	-	65,123	-	-	-	65,123	402
Human Resources	28.50	2,275,567	-	-	-	2,275,567	400
Human Resources Administration	3.00	335,274	-	-	-	335,274	398
Learning & Organization Development	3.00	484,571	-	-	-	484,571	404
	<b>36.50</b>	<b>3,431,756</b>	<b>7,200</b>	<b>-</b>	<b>-</b>	<b>3,438,956</b>	

# PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM

*Budget by Fund*

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total	Vol. Two Page # Ref.
<b>Economic Vitality Dept</b>							
Economic Development	2.00	291,281	-	-	-	291,281	412
Economic Vitality Admin	2.00	289,738	-	-	-	289,738	410
Existing Business Services	2.00	188,619	-	-	-	188,619	418
Hospitality Development	2.00	5,266,502	-	-	-	5,266,502	414
Revitalization	2.00	244,337	-	-	-	244,337	416
	<b>10.00</b>	<b>6,280,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,280,477</b>	
<b>Planning &amp; Development Services</b>							
Current Planning Services	31.00	2,594,889	-	-	-	2,594,889	426
Customer Services & Administration	9.00	1,146,397	-	-	-	1,146,397	422
Inspection & Land Survey Services	50.00	4,275,314	-	-	-	4,275,314	430
Plan Review & Permit Services	44.00	4,031,350	20,608	-	-	4,051,958	428
Planning & Design Services	6.00	709,020	-	-	-	709,020	424
	<b>140.00</b>	<b>12,756,970</b>	<b>20,608</b>	<b>-</b>	<b>-</b>	<b>12,777,578</b>	
Estimated Department Savings	-	(\$500,000)	-	(\$1,000,000)	-	(\$1,500,000)	
Estimated Vacant Position Savings	-	(\$500,000)	-	-	-	(\$500,000)	
<b>Total Program</b>							
<b>Operating Budget</b>	<b>2,191.03</b>	<b>185,469,183</b>	<b>25,414,225</b>	<b>58,443,198</b>	<b>27,101,490</b>	<b>296,428,096</b>	
<b>Less: Internal Service Fund Offset</b>						<b>(28,861,220)</b>	
<b>Total Net Program Operating Budget</b>						<b>267,566,876</b>	
<b>Add: Debt Service</b>						<b>85,493,373</b>	
<b>Total FY 2004/05 Net Program Operating Budget Plus Debt Service</b>						<b>353,060,249</b>	
<b>Reserves/Contingency Appropriations</b>						<b>25,869,205</b>	
<b>Total FY 2004/05 Operating Budget Appropriations</b>						<b>\$378,929,454 <sup>(A)</sup></b>	

(<sup>A</sup>) Total FY 2004/05 Operating Budget Appropriations agrees to the adopted budget ordinance Schedule F found in the Appendix of Volume One.

# PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

*Budget by Fund*

## Relationship with Mayor and City Council's Broad Goals Alphabetical Program Budget Index

The following matrix provides a summary of each program's relationship to the Mayor and City Council's Broad Goals. The column on the right-hand side of the matrix indicates the specific page cross-reference in Volume Two where the program information begins.

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
<b>General Government</b>							
City Attorney-Civil					X		32
City Cable						X	54
City Clerk						X	24
City Manager	X	X	X	X	X	X	48
Communications & Public Affairs						X	52
Court	X					X	43
Elections						X	26
Environmental Planning Services		X			X		72
Intergovernmental Relations	X	X	X	X	X	X	58
Internal Audit Program					X		40
Litigation					X		30
Mayor and City Council	X	X	X	X	X	X	20
Preservation		X					70
Prosecution	X						34
The Downtown Group				X			66
Victim Services	X						36
WestWorld Operations		X		X			62
<b>Police Department</b>							
Auto Theft Investigations	X						114
Bicycle Patrol	X						88
Burglary & Theft Investigations	X						112
Canine Services	X						92
Communications	X						140
Computer Crime Investigations	X						118
Crime Analysis	X						148
Crime Laboratory	X						146
Crime Prevention	X						78
Crime Scene Processing	X						150

## PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

*Budget by Fund*

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
.....							
Detention	X						98
Domestic Violence Investigations	X						108
Emergency Services	X						154
Event Traffic Control	X						100
False Alarm Reduction Program	X						158
Fraud Investigations	X						116
Intelligence Unit	X						128
Internal Affairs	X						80
Mounted Patrol	X						92
Municipal Security	X						156
Narcotics Clandestine Lab Investigations	X						124
Narcotics Undercover Investigations	X						122
Office Of The Chief	X						76
Park & Preserve Patrol	X						96
Patrol Problem Solving Surveillance Team	X						90
Patrol Services	X						82
Photo Enforcement			X				84
Planning, Research and Accreditation	X						152
Police Crisis Intervention	X						110
Police Records	X						134
Police Supply & Equipment	X						138
Property and Evidence	X						144
Recruiting & Personnel	X						130
School Resource Services	X						120
Sex Crimes Investigations	X						106
Special Event/Off Duty Coordination	X						102
Surveillance/SWAT	X						126
Technology	X						136
Telephone Reporting Services	X						142
Traffic Enforcement			X				86
Training	X						132
Violent Crimes Investigations	X						104
<b>Financial Services Department</b>							
Accounting					X		164
Accounts Payable & Payroll					X		166
Budget					X		168
Copy Center					X		178
Financial Planning and Administration					X		162
Graphics					X		176

# PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

*Budget by Fund*

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
.....							
Mail					X		180
Meter Reading					X		186
Purchasing					X		172
Remittance Processing					X		190
Revenue Recovery					X		184
Risk Management					X		170
Stores/Warehouse Operations					X		174
Tax & License					X		182
Tax Audit					X		192
Utility Billing					X		188
<b>Transportation Department</b>							
Aviation			X				198
Intelligent Transportation Systems			X				206
Traffic Engineering	X		X				204
Transit			X				202
Transportation Administration			X				196
Transportation Master Planning			X				200
<b>Community Services Department</b>							
Adapted Recreation Services	X						214
Adult Sports & Fitness Programs	X						218
Aquatics	X						216
Branch Libraries	X						244
Community Recreation Services & Facilities	X						222
Community Services Planning and Admin.	X				X	X	210
Construction Services					X		260
Contract Administration					X		262
Downtown Maintenance		X			X		250
Facilities Maintenance					X		258
Facilities Mgmt Planning & Admin.					X		256
Grounds and Landscape Maintenance		X			X		248
Housing Assistance and CDBG Programs	X						236
Human Services Planning & Admin.	X				X		230
Leisure Education Programs	X						224
Library Operations	X						240
Library Planning and Administration	X				X		238
Main Library	X						242
Medians and Right of Way		X			X		252
Parks & Grounds Mgmt-Planning & Admin	X				X		246

## PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

*Budget by Fund*

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
Parks & Recreation Planning & Admin	X				X		212
Parks & Trails Planning & Development	X	X			X		228
Professional Baseball	X			X			254
Senior Citizen Services	X						232
Social Services Assistance and Referral	X						234
Trails & Equestrian Facilities	X	X					226
Youth Activities & After School Programs	X						220
<b>Information Systems Department</b>							
Appl. Dev., Integration, Mgmt & Support					X	X	268
Application Support					X	X	276
GIS Data Services					X	X	272
Help Desk/Desktop Technical Support					X	X	278
Information Systems Administration					X	X	266
Project Office					X	X	274
Technology Infrastructure/Implementation & Support					X	X	270
<b>Fire Department</b>							
Fire Support	X						284
General Fire Protection	X						282
<b>Water Resources Department</b>							
Advanced Water Treatment Plant					X		330
CAP Treatment Plant					X		324
Central Groundwater Treatment Facility (CGTF)					X		318
Gainey Wastewater Reclamation Plant					X		328
Industrial Pretreatment					X		326
Inlet Golf Course Irrigation					X		296
Irrigation Water Distribution Sys.					X		316
Planet Ranch Water Rights					X		290
Pump Back System					X		312
RWDS Administration					X		314
Southern Neighborhoods Water System					X		306
Treatment Plant Staffing					X		322
Wastewater Collection					X		308
Wastewater Maintenance					X		310
Water & Wastewater Engineering					X		292
Water & Wastewater Ops. Admin.					X		298
Water Campus Wastewtr Reclam. Plant					X		332
Water Conservation					X		300
Water Distribution					X		302



# PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

*Budget by Fund*

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
Water Production					X		304
Water Resources Administration					X		288
Water/Wastewater Quality					X		320
WestWorld Golf Recharge					X		294
<b>Municipal Services Department</b>							
Alley Maintenance	X						378
Asset Management					X		340
Capital Project Management					X		338
Commercial Refuse Collection	X						350
Container Repair Program	X						346
Emergency Response Team			X				354
Field Services Administration			X				352
Fleet Maintenance & Operations					X		368
Fleet Management Administration					X		366
Fleet Parts Supply					X		370
Fuel					X		372
Household Hazardous Waste	X						376
Municipal Services Administration					X		336
Residential Refuse Collection	X						344
Solid Waste Management Admin Svcs	X						342
Stormwater Management					X		380
Street Cleaning	X						360
Street Overlays and Maintenance			X				362
Street Signs and Markings			X				358
Traffic Signals			X				356
Transfer Station Operations	X						348
Unpaved Roads and Drainage Sys. Maint.			X				364
Vehicle Acquisition					X		374
<b>Citizen and Neighborhood Resources Department</b>							
Citizen & Neighborhood Administration	X						384
Code Enforcement	X						392
Customer Service & Communications	X						386
Housing Rehabilitation & ADA	X					X	394
Information Resources						X	388
Neighborhood Services	X						390

## PROGRAM BUDGET RELATIONSHIP WITH MAYOR AND CITY COUNCIL'S BROAD GOALS

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	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Fiscal and Resource Management	Goal F Open and Responsive Government	Volume Two Page # Ref.
.....							
<b>Human Resources Department</b>							
Diversity & Dialogue						X	406
Employee Programs					X	X	402
Human Resources					X	X	400
Human Resources Administration					X	X	398
Learning & Organization Development					X	X	404
<b>Economic Vitality Department</b>							
Economic Development				X			412
Economic Vitality Administration				X			410
Existing Business Services				X			418
Hospitality Development				X			414
Revitalization				X			416
<b>Planning and Development Services Department</b>							
Current Planning Services		X					426
Customer Services & Administration		X					422
Inspection & Land Survey Services	X	X	X				430
Plan Review & Permit Services	X	X					428
Planning & Design Services		X					424